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INTOSAI: 50 Years

1953-2003

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INTOSAI: 50 Years (1953-2003)

A Special Publication of the International
Organization of Supreme Audit Institutions

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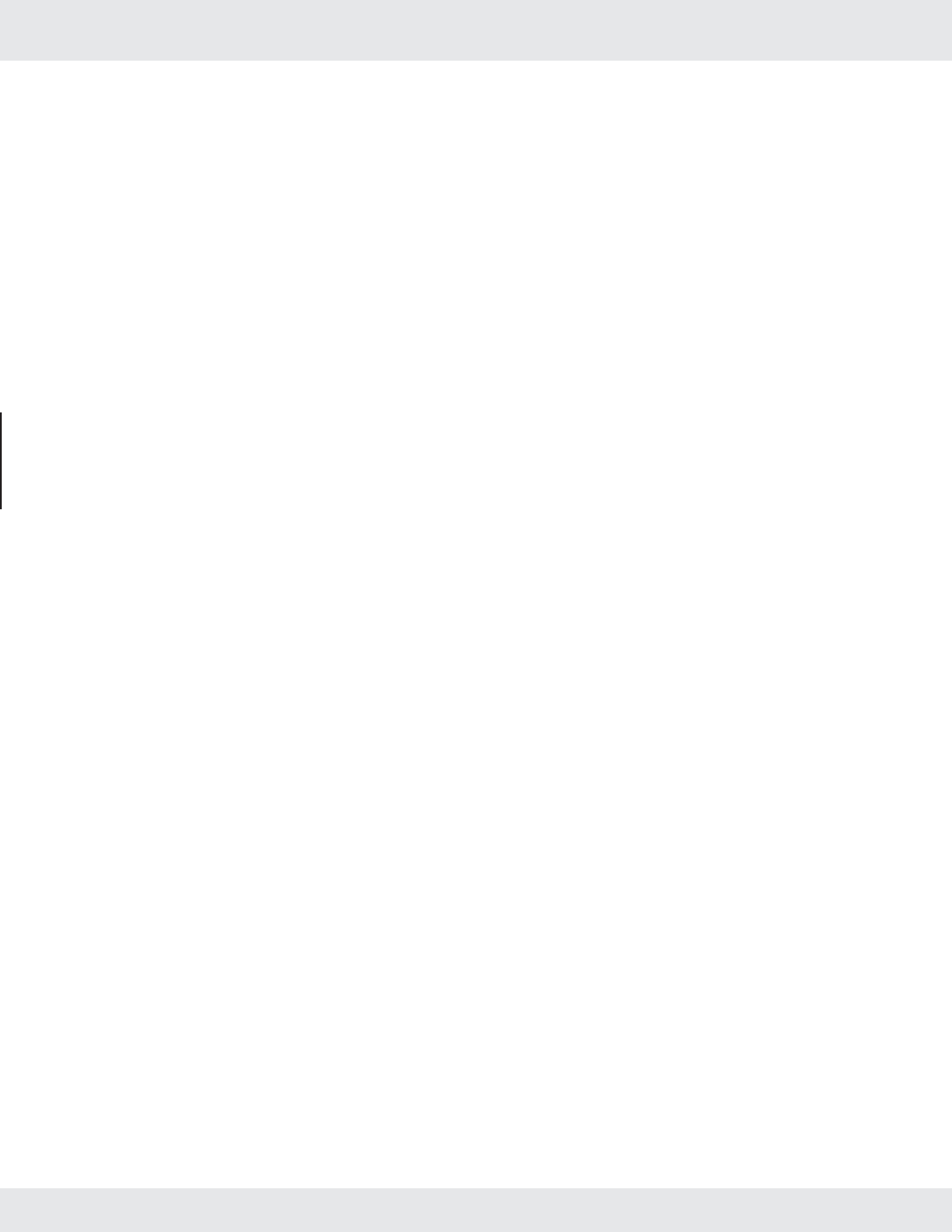




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Foreword

Source: Comstock.

It was a great honor for the State Audit Office of the Republic of Hungary to be nominated to host the 50th anniversary celebration of the founding of the International Organization of Supreme Audit Institutions (INTOSAI) on October 15, 2003, and the 18th International Congress of Supreme Audit Institutions (INCOSAI), October 10-16, 2004. Although these events are independent of each other, they are closely related.



The ceremony in the Hungarian Parliament celebrating INTOSAI's 50th anniversary.

The 50th anniversary celebration offered an opportunity to sum up the most important results and accomplishments of INTOSAI for the past half-century and recall the milestones marking new chapters of state audit. The agenda of the anniversary celebration focused on the independence of audit institutions and the relationship of the Lima Declaration to globalization and integration processes.

While the 50th anniversary of INTOSAI's founding helped us look back over the past, the agenda of the 18th INCOSAI reflects the tasks that supreme audit institutions (SAI) face in meeting the needs of the present and future. However, it should be clear that the results of the past 50 years have made it possible to raise and develop these issues—the possibilities of bilateral and multilateral cooperation among SAIs and the coordination of audit efforts among national, local, and regional self-governing bodies. For both Congress themes, we are relying on and elaborating the results of the past decades and considering future requirements.

I am convinced that recognizing and taking stock of the results of the past 50 years is very important. It is important to ask who remembers what happened at the founding Congress in Havana in 1953 or the Brussels Congress in 1956. With the passage of time, memories fade and only a few interested parties remember the actual events. For that reason, an anniversary celebration gives us an opportunity to call attention to the distance we have covered and the achievements along the way that have brought us as an organization to the point where the number of INTOSAI member countries nearly equals that of the United Nations member states.

Who would have thought that INTOSAI's motto, *Experientia mutua omnibus prodest* ("Mutual Experience Benefits All"), would be realized through an international team of INTOSAI Development Initiative (IDI) trainers who are invited to travel all over the world and organize international seminars and workshops? Or, who would have thought that INTOSAI standards would one day cover practically

the whole scope of audit, or that INTOSAI committees, working groups, and regional organizations would contribute to the development of state audit around the world?

For the majority of SAI staff, it would be easy to take these results for granted. It is obvious, however, that making these possibilities a reality required the diligent and enduring work and commitment of the past 50 years, along with the members' professional development and renewal.

Commemorating INTOSAI's 50th anniversary, this publication serves the worldwide SAI community and its governments by providing a historical record of the progress and developments of public sector auditing since the mid-20th century. I am pleased that the State Audit Office of Hungary had the honor to host INTOSAI's 50th anniversary and contribute to the publication of this commemorative work. I commend it to readers as a valuable repository of lessons learned in the past half-century and a guide for the future.

Dr. Árpád Kovács
President, State Audit Office of Hungary



Helping to celebrate INTOSAI's 50th anniversary with a birthday cake are (left to right) Dr. Árpád Kovács, SAI of Hungary; Dr. Franz Fiedler, INTOSAI General Secretariat; Dr. Ock-Sup Noh, SAI of Korea; Mr. Giorgio Clemente, European Court of Auditors; Dr. Hubert Weber, European Court of Auditors; and Mr. Ramón Muñoz, Spain.



Preface

The International Organization of Supreme Audit Institutions (INTOSAI) was founded in 1953 as an autonomous, independent, and non-political organization with the aim of promoting the exchange of ideas and experience between its members, the Supreme Audit Institutions (SAIs) of countries around the globe, in the field of government audit. INTOSAI's time-proven principles have always been the equality of all members and their voluntary participation in INTOSAI.

INTOSAI applies these guiding principles irrespective of the legal framework and the organizational structure of each member. It is able to continuously develop government audit worldwide in accordance with internationally accepted audit standards as it draws upon the conceptual bases of government audit developed by its members, audit standards and guidelines, and extensive training,

Worth mentioning in this context are the achievements of INTOSAI's committees and working groups, which have contributed significantly to the success of INTOSAI; the activities of the INTOSAI Development Initiative (IDI) in the field of auditor training; and the annual UN/INTOSAI seminar organized by the General Secretariat in cooperation with the United Nations.

By setting internationally accepted standards and guidelines for the work of SAIs that are independent of their governments, INTOSAI is, ultimately, making a major contribution to the democratic development of nations, the strengthening of parliaments, enhanced government accountability, and the executive's best possible use of public funds for the benefit of citizens.

INTOSAI is pleased to publish this 50th anniversary special publication in its five official languages to commemorate the 50th anniversary festivities held in Budapest, Hungary, on October 15, 2003. This publication is the result of the close collaboration between the U.S. Government Accountability Office as editor of the *International Journal of Government Auditing*, the Austrian Court of Audit in its capacity as the INTOSAI General Secretariat, the Board of Audit and Inspection of Korea as chair of the INTOSAI Governing Board, and the State Audit Office of Hungary as host of the anniversary celebration.

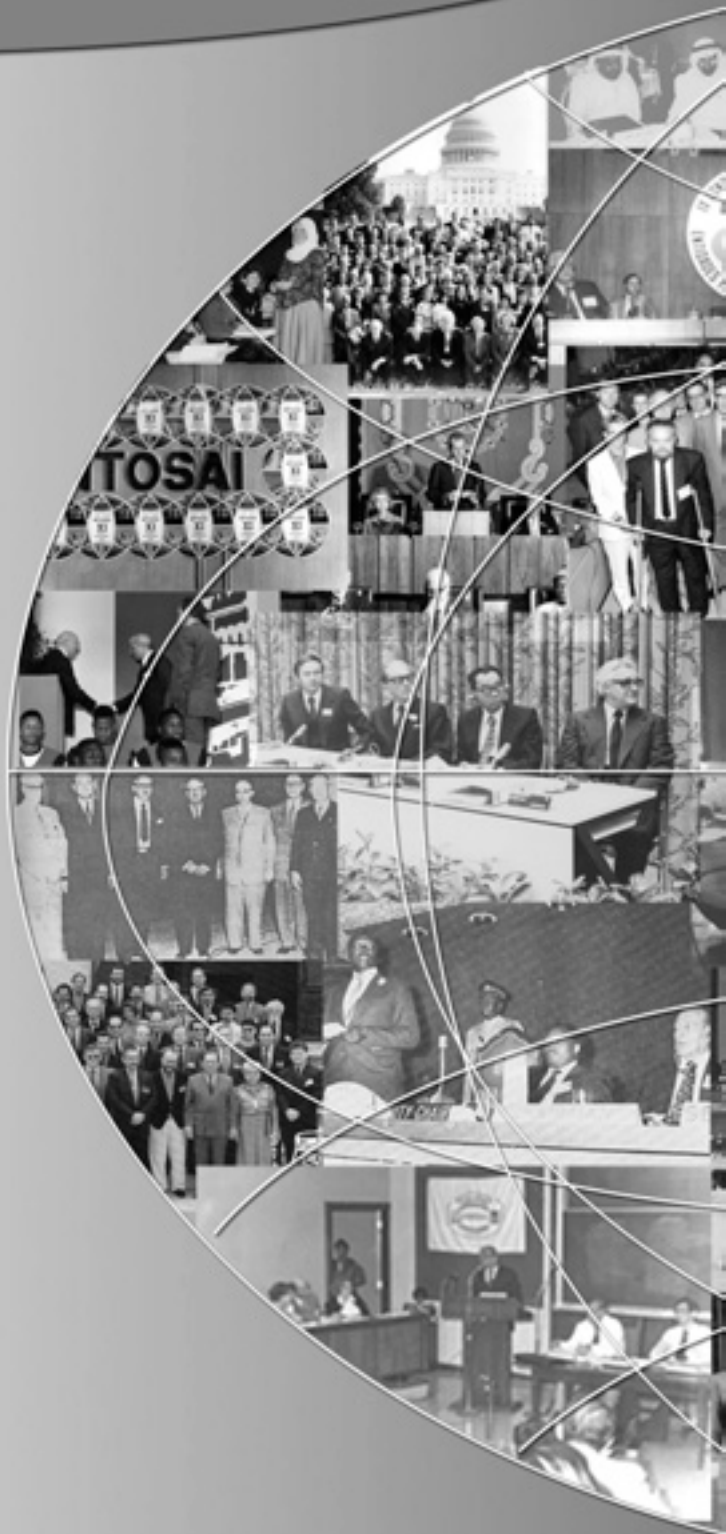
Following INTOSAI's motto, *Experientia mutua omnibus prodest* ("Mutual Experience Benefits All"), the first section of this publication ("INTOSAI: The First 50 Years") contains a concise chronology of milestones in INTOSAI's historic development and a summary of possible future goals for INTOSAI. This section also contains summary reports by all previous Congress hosts on the impact that the INTOSAI Congress they organized had on the work and status of their SAIs, and a brief outline by the chairpersons of INTOSAI's seven regional working groups on how their working groups have developed since their foundation.

The next section incorporates the proceedings of INTOSAI's 50th anniversary celebration held in Budapest, Hungary, on October 15, 2003. The technical session in the morning focused on an interpretation of the Lima Declaration, the independence of SAIs, and the benefits of INTOSAI to SAIs. The afternoon anniversary session, held in the main chamber of Hungary's historic Parliament, reviewed the first 50 years of INTOSAI and discussed the relationship between SAIs and their Parliaments. The final section of the volume summarizes the strategic planning process that is guiding INTOSAI into the future.

The INTOSAI General Secretariat would like to thank the editors, the authors of the papers, the translators, and all others who contributed to this special publication for their outstanding commitment and dedication.

INTOSAI: The First 50 Years

The History and Development of INTOSAI





INTERNATIONAL CONGRESS OF SUPREME AUDIT INSTITUTIONS

INTERNATIONAL CONGRESS OF SUPREME AUDIT INSTITUTIONS
4TH-8TH NOV 1991
REPUBLIC OF KIRIBATI
SOUTH PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS

Membership
Annuaire de
Mitglieder
Directors

الدورة العادية الرابعة للجمعية العامة
الجمعية العامة
20-21 نوفمبر 1991
1992

Deutsch
English
Français
Español
Japanese
Chinese
Arabic



A Timeline of Major Events

To mark the 50th anniversary of INTOSAI, the General Secretariat has compiled the following timeline of INTOSAI's history to document the achievements and development of INTOSAI. The data in the timeline is based upon the INTOSAI archives. This timeline provides an overview of INTOSAI's major milestones and a point of reference for members on the history of INTOSAI.

	1953	1956
<p>Representatives of various Supreme Audit Institutions (SAI) meet after World War II at an International Congress of Administrative Sciences in Bern, Switzerland, and decide to set up a forum for government audit.</p>	<p>I INCOSAI in Havana, Cuba (November 2-9); delegates from 34 countries; 16 Congress themes including: government accounting systems, the independence of SAIs and the relations of the SAI to the legislative power; and SAI audits in tendering public works.</p> <ul style="list-style-type: none"> • INTOSAI is founded as an international association. • Decision to host an INTOSAI Congress every 3 years at different venues. • INTOSAI General Secretariat is based with the SAI of Cuba. 	<p>II INCOSAI in Brussels, Belgium (September 24-29); delegates from 44 countries; Congress themes: securing the independence of supreme audit institutions, financial control of international and supranational institutions and of nationalized industries, and preventive control of public expenditure.</p> <ul style="list-style-type: none"> • First draft of INTOSAI Standing Orders.

1959	1960	1962	1965
<p>III INCOSAI in Rio de Janeiro, Brazil (May 3-9); delegates from 34 countries; Congress themes include: the establishment of an International Council of Supreme Audit Institutions, SAIs' functions in regard to revenues, methods of budgetary and accounting statement, and control in the execution of development plans.</p> <p>Resolutions were adopted to</p> <ul style="list-style-type: none"> • retain a permanent General Secretariat (Cuba) and • set up regional working groups on the five continents. 	<p>The SAI of Cuba is dissolved and can no longer run the General Secretariat.</p>	<p>IV INCOSAI in Vienna, Austria (May 18-26); delegates from 63 countries; Congress themes: audit of national authorities abroad, audit of institutions subsidized from public funds, audit of nationalized industries, and implementation of the suggestions made by the SAIs.</p> <ul style="list-style-type: none"> • Congress asks the SAI of Austria to run the General Secretariat. • Foundation of ILACIF,¹ the first regional working group, consisting of the SAIs of different Latin American states (known today as OLACEFS²). • First contacts with the United Nations (UN) Economic and Social Council (ECOSOC). <p><small>¹Instituto Latino-Americano de Ciencias Fiscalizadoras ²Organización Latinoamericana y del Caribe de Entidades Fiscalizadoras Superiores</small></p>	<p>V INCOSAI in Jerusalem (June 15-24); delegates from 60 countries; Congress themes: supreme audit and the state budget, the contribution of SAIs towards maintaining a high standard in public administration, administrative and financial procedures, and international administrative and budgetary problems of SAIs.</p> <ul style="list-style-type: none"> • Decision to form a Governing Board consisting of 14 members (5 SAIs as previous Congress hosts, the SAI hosting the next Congress, the General Secretariat, and 7 SAIs to be elected). • A glossary is to be prepared with a view to uniform terminology.

1967	1968	1970
<p>Nongovernmental organization (NGO) status with the UN is accorded to INTOSAI.</p>	<p>VI INCOSAI in Tokyo, Japan (May 22-30); delegates from 70 countries; Congress themes: the methods and procedures of the supreme audit, the method of reporting to be used by SAIs, the supreme audit and technical knowledge, and the supreme audit on the price of public contracts.</p> <ul style="list-style-type: none"> • INTOSAI Standing Orders are adopted. • Decision to ask the SAI of Austria to run the General Secretariat on a permanent basis. The SAI of Austria takes over the Secretariat. 	<p>NGO status and special consultative status with UN ECOSOC awarded to INTOSAI.</p>

1971

VII INCOSAI in Montreal, Canada (September 8-16); delegates from 83 countries; Congress themes: audit staff—its selection and training, electronic data processing, management and operational auditing, and implementation of recommendations made by SAIs.

- Proposal to publish the *International Journal of Government Auditing* quarterly in English, French, and Spanish.
- Proposal to organize training events (seminars) in cooperation with the UN.

1st UN/INTOSAI seminar, Baden, Austria, on the general principles of auditing and institutional problems.

1972

Governing Board resolves to publish the *International Journal of Government Auditing* under the auspices of the SAIs of Canada, the USA, and Venezuela.

1973

2nd UN/INTOSAI seminar (with the participation of the German Foundation for International Development) staged in two parts (Vienna and Berlin); themes: techniques and methods of SAIs with a view to improving government auditing.

1974	1976	1977
<p>VIII INCOSAI in Madrid, Spain (May13-22); delegates from 88 countries; Congress themes: the audit of revenue and public construction projects, SAIs and internal control institutions, and basic problems in government audit.</p> <ul style="list-style-type: none"> • Congress resolves to adopt German as an official working language of INTOSAI. • The principle of rotating the members of the Governing Board is proposed. 	<p>AFROSAI founded as a regional working group.</p> <p>ARABOSAI founded as a regional working group.</p> <p>3rd UN/INTOSAI seminar, Vienna, Austria, on government financial management and accounting, the definition of the role of SAIs in the modern state, and audit of public enterprises.</p>	<p>IX INCOSAI in Lima, Peru (October 17-26); delegates from 95 countries; Congress themes: guidelines on auditing precepts, control of decentralized institutions, role of financial control in administrative reform, and audit of public health and environmental protection agencies.</p> <ul style="list-style-type: none"> • Adoption of the Lima Declaration of Guidelines on Auditing Precepts. • Decision to collect membership dues on the basis of the UN assessment scheme instead of subsidies. • Decision to prepare a triennial budget with the following sub-chapters: <ul style="list-style-type: none"> – General Secretariat, – training (meetings, seminars, etc.), and – publication of the <i>International Journal</i>. • Proposal to change the composition of the Governing Board and the appointment of members.

1978

ASOSAI founded as a regional working group.

1979

ECOSOC Resolution to set up a UN working group for government accounting and auditing and to promote training in the field of government audit.

4th UN/INTOSAI seminar, Vienna, Austria, on the principles of audit, organization audit, and performance audit and audit of public enterprises.

1980

X INCOSAI in Nairobi, Kenya (June 14-25); delegates from 94 countries; Congress themes: application of computer systems in budgetary accounting, audit techniques in developing countries, government audit in the international and supranational field, and efficiency and effectiveness control of public enterprises.

- Presentation of a model for future Congresses.

1981

Foundation of the Elmer B. Staats Award and the Jörg Kandutsch Award. The Elmer B. Staats Award is granted for the best article published in the *International Journal of Government Auditing*; the Jörg Kandutsch Award is granted for outstanding contributions made by an SAI to INTOSAI.

5th UN/INTOSAI seminar, Vienna, Austria, on concepts of audit, audit of tax receipts, audit of government financial institutions for development, and audit of performance in public enterprises.

1982

Governing Board adopts the Terms of Reference for awarding the Elmer B. Staats Award and the Jörg Kandutsch Award.

1983

XI INCOSAI in Manila, Philippines (April 19-27); delegates from 95 countries; Congress themes: training of state auditors, audit of the social services, and audit methods and procedures to attain audit objectives.

- New Congress format (more technical themes, parallel sessions, principal papers, and country papers).
- Arabic introduced as the 5th official working language of INTOSAI.
- First-time bestowal of the Elmer B. Staats Award (SAI of Israel) and the Jörg Kandutsch Award (SAI of Morocco).
- Introduction of a new membership dues system adopted.

1984

The following standards committees established:

- Accounting Standards Committee (chaired by the SAI of Canada from 1984 to 1996 and by the SAI of the USA from 1996 to the present).
- Auditing Standards Committee (chaired by the SAI of Saudi Arabia from 1984 to 1989, by the SAI of Australia from 1989 to 1995, and by the SAI of Sweden from 1995 to the present).
- Internal Control Committee (chaired by the SAI of the USA from 1984 to 1992, by the SAI of Hungary from 1992 to 1998, and by the SAI of Belgium from 2001 to the present).
- Committee set up for a limited term for the design of Congress Proceedings and the defrayal of costs (coordinator: SAI of Austria).

6th UN/INTOSAI seminar, Vienna, Austria, on internal management control systems, nature and scope; the role of internal audit; and internal management control systems in developing countries.

1986

XII INCOSAI in Sydney, Australia (April 7-16); delegates from 90 countries; Congress themes: performance auditing, audit of public enterprises, and quality of audit activity.

- INTOSAI Development Initiative (IDI) set up under a steering committee consisting of the SAIs of Canada and the USA and the INTOSAI General Secretariat. The SAI of Canada given responsibility for the management of IDI.
- Elmer B. Staats Award to the SAI of Canada, with a special award to the then editor-in-chief of the *International Journal of Government Auditing*.
- Jörg Kandutsch Award to the SAI of Spain.

SPASAI founded as a regional working group.

7th UN/INTOSAI seminar, Vienna, Austria, on the audit of major development projects.

1988	1989	1990
<p>CAROSAI founded as a regional working group.</p> <p>Elaboration of INTOSAI Guidelines for the Preparation, Presentation and Audit of INTOSAI Financial Statements.</p> <p>8th UN/INTOSAI seminar, Vienna, Austria, on the application of standards in public sector auditing.</p>	<p>XIII INCOSAI in Berlin, Germany (June 12-21); delegates from 115 countries; Congress themes: management in government auditing, auditing the public debt, and computer auditing.</p> <ul style="list-style-type: none"> • EUROSAI established as a regional working group. • Debate about a reform of the Statutes, with no decision being taken. Statutory Reform Commission set up (budgetary matters, composition of the Governing Board). • Completion of a glossary, Selected Terms and Expressions of Government Audit, in the five official working languages of INTOSAI. • Foundation of a Committee for EDP Audit (chaired by SAI of India). • Elmer B. Staats Award to the SAI of Canada. • Jörg Kandutsch Award to the SAI of Saudi Arabia. 	<p>9th UN/INTOSAI seminar, Vienna, Austria, on accounting and auditing of development aid programs and EDP.</p>

1991

Committee on Public Debt established (chaired by the SAI of Mexico).

Draft Financial Rules for INTOSAI adopted.

1992

XIV INCOSAI in Washington, D.C., USA (October 18-23); delegates from 130 countries; Congress themes: auditing in a changing environment and improving governmental financial management through INTOSAI's standing committees. Symposium on automating the audit office, computer-assisted audit techniques, and auditing computer systems.

- Duration of Congress shortened to 6 days, only two Congress themes.
- Statutes amended (Governing Board enlarged, financial rules improved).
- Elmer B. Staats Award to the SAIs of Pakistan and the United Kingdom.
- Jörg Kandutsch Award to the SAI of Hungary.

- Adoption of the following INTOSAI committee products:

- Auditing Standards
- Guidelines for Internal Control Standards
- Accounting Standards, Statements
- Public Debt: Roles and Responsibilities

- The following working groups were set up:

- Working Group on Environmental Auditing (chair: SAI of the Netherlands; since 2001: SAI of Canada).
- Working Group on Privatization (chair: SAI of the United Kingdom).
- Working Group on Program Evaluation (chair: SAI of France).
- Ad-hoc working group for the INTOSAI Standards Committees.

10th UN/INTOSAI Seminar, Vienna, Austria, workshop on EDP auditing—sharing experiences, opportunities, and challenges.

1993	1994	1995
<p>Three project groups set up to develop:</p> <ul style="list-style-type: none"> • Guidelines for the Organization of INTOSAI Congresses (chair: SAI of the USA). • Guidelines for the Organization of INTOSAI Governing Boards (chair: General Secretariat). • Guidelines for the Work of INTOSAI Committees (chair: SAI of Australia). 	<p>11th UN/INTOSAI seminar, Vienna, Austria, on the restructuring of the public sector.</p>	<p>XV INCOSAI in Cairo, Egypt (September 25-October 2); delegates from 126 countries; Congress themes: environmental auditing and improving governmental financial management through INTOSAI's standing committees. Symposium on privatization.</p> <ul style="list-style-type: none"> • Adoption of the following INTOSAI products: <ul style="list-style-type: none"> – Handbook for INTOSAI Congresses – Handbook for Governing Board Meetings of INTOSAI – Handbook for Committees of INTOSAI – Amendments to the Auditing Standards – Audit Bibliography – Internal Control Bibliography – INTOSAI EDP Directory – First issue of the <i>intolT Journal</i> – Guidance on Definition and Disclosure of Public Debt • Compilation of a Membership Directory (maintained by the General Secretariat) as part of a communications project. • Elmer B. Staats Award to the SAI of Germany. • Jörg Kandutsch Award to the SAI of Mexico.

1996

Governing Board adopts the INTOSAI Financial Rules, which had been implemented on a trial basis since 1993.

12th UN/INTOSAI seminar, Vienna, Austria, on the role of SAIs in fighting corruption and mismanagement.

1997

Guidelines for Reporting on the Effectiveness of Internal Controls adopted.

1998

XVI INCOSAI in Montevideo, Uruguay (November 9-14); delegates from 127 countries; Congress themes: preventing and detecting fraud and corruption, improving governance by the work of SAIs, and results of INTOSAI's standing committees and working groups.

- Task Force on SAI Independence set up (chair: SAI of Canada).
- Preparations for the transfer of IDI from the SAI of Canada to the SAI of Norway in 2001; implementation of satellite programs by the SAI of the Netherlands.
- Elmer B. Staats Award to the SAI of Nepal.
- Jörg Kandutsch Award to the SAI of India.

- Adoption of the following products of INTOSAI committees and working groups:

- Code of Ethics and Auditing Standards
- Accounting Standards Framework Implementation Guide
- Guidelines on Best Practice for the Audit of Privatizations
- How SAIs May Co-operate on the Audit of International Environmental Accords

13th UN/INTOSAI seminar, Vienna, Austria, on the role of SAIs in auditing public works.

2000

Guidance for Planning and Conducting an Audit of Internal Controls of Public Debt issued.

Guidance on the Reporting of Public Debt issued.

14th UN/INTOSAI seminar, Vienna, Austria, on the audit of public health care systems by Supreme Audit Institutions.

2001

IDI Secretariat transferred to Norway as of January 1, 2001.

XVII INCOSAI in Seoul, Korea (October 22-27); delegates from 139 countries; Congress themes: the audit of international and supranational institutions by SAIs and the contribution of SAIs to administrative and government reforms.

- Decision to amend the INTOSAI Statutes (number of Governing Board members increased from 16 to 18).
- Task Force to Fight Against International Money Laundering launched.

- Task Force on SAI Independence transformed into a subcommittee under the umbrella of the Auditing Standards Committee.
- INTOSAI Governing Board Strategic Planning Task Force set up (chair: SAI of the USA).
- Working Group on the Audit of International Institutions set up (chair: SAI of Norway).
- Elmer B. Staats Award to the SAI of Iceland.
- Jörg Kandutsch Award to the SAI of Canada.

	2002	2003
<ul style="list-style-type: none"> • Adoption of the following products of INTOSAI committees and working groups: <ul style="list-style-type: none"> – Guidelines for the Implementation of Performance Audit Standards. – Accounting Standards Framework Implementation Guide for SAIs: Management Discussion and Analysis of Financial, Performance and Other Information. – Internal Control: Providing a Foundation for Accountability in Government. – Guidelines on Best Practice for the Audit of Public/Private Finance and Concessions. – Guidelines on Best Practice for the Audit of Economic Regulation. – Audit of International Environmental Accords. – Guidance on Conducting Audits of Activities with an Environmental Perspective. 	<p>Governing Board deliberations on the Strategic Planning Framework 2004 to 2009 for INTOSAI.</p> <p>Adoption of the Independence Guidance for the planned use of external funding by INTOSAI committees, working groups, and task forces.</p> <p>15th UN/INTOSAI seminar, Vienna, Austria, on the role of SAIs in the audit of agriculture.</p>	<p>Cooperation of the INTOSAI Auditing Standards Committee with the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).</p> <p>16th UN/INTOSAI seminar, Vienna, Austria, on the role of SAIs in auditing the utilization of funds in the field of education.</p> <p>INTOSAI 50th anniversary celebration hosted by State Audit Office of Hungary in Budapest.</p>



Looking Ahead

In view of previous developments and the future challenges facing government audit, INTOSAI will need to address the following areas in the years to come:

- Continue to promote the exchange of ideas, knowledge, and experiences between SAIs and the continuous development of member SAIs, with the equality of all members and their voluntary participation in INTOSAI being the guiding principles.
- Act as a spokesperson and authorized voice of SAIs in the international community.
- Improve SAI efficiency in supporting government administration efforts to deliver better results, attain greater transparency, guarantee accountability, maintain credibility, fight corruption, strengthen public confidence, pursue an efficient policy for revenue-generation, and ensure a better use of public funds in the interest of citizens.
- Promote strong, independent, and interdisciplinary SAIs that, by being role models, can assume leadership and contribute to the development and adoption of appropriate and effective technical standards and guidelines for government audit.
- Enhance the capacities and technical skills of SAIs through training, the use of electronic and technical tools, and different development measures tailored to the needs of individual SAIs.
- In accordance with INTOSAI's motto ("Mutual Experience Benefits All") and through the use of new means of communication, encourage members to cooperate, participate, and continuously develop by exchanging knowledge and skills—including benchmarking, best practice studies, and research on topics of interest and relevance for all INTOSAI members.
- Encourage SAIs to increasingly act as advisors to the executive and legislative branches in addition to performing traditional audit work within their statutory mandates.
- Further develop INTOSAI's structure and organization to respond to emerging needs and maintain INTOSAI's excellence as a model international organization.



INTOSAI Bodies

Regional Working Groups

At the beginning of 2004, INTOSAI had the following seven regional working groups:

- AFROSAI (African Organization of Supreme Audit Institutions), founded in 1976. General Secretariat: SAI of Togo.
- ARABOSAI (Arab Organization of Supreme Audit Institutions), founded in 1976. General Secretariat: SAI of Tunisia.
- ASOSAI (Asian Organization of Supreme Audit Institutions), founded in 1978. General Secretariat: SAI of India.
- CAROSAI (Caribbean Organization of Supreme Audit Institutions), founded in 1988. General Secretariat: SAI of Trinidad and Tobago.
- EUROSAI (European Organization of Supreme Audit Institutions), founded in 1989. General Secretariat: SAI of Spain.
- OLACEFS (Organization of Latin American and Caribbean Supreme Audit Institutions), founded in 1962 as ILACIF, renamed OLACEFS in 1990. General Secretariat: SAI of Panama.
- SPASAI (South Pacific Association of Supreme Audit Institutions), founded in 1986. General Secretariat: SAI of New Zealand.

Committees, Working Groups, and Task Forces

At the beginning of 2004, INTOSAI had the following committees, working groups, and task forces:

- Auditing Standards Committee, chaired by the SAI of Sweden.
 - Sub-committee on SAI Independence, chaired by the SAI of Canada.
- Committee on Accounting Standards, chaired by the SAI of the United States of America.
- Committee on IT Audit, chaired by the SAI of India.
- Internal Control Standards Committee, chaired by the SAI of Belgium.
- Public Debt Committee, chaired by the SAI of Mexico.
- Working Group on Environmental Auditing, chaired by the SAI of Canada.
- Working Group on Privatization, chaired by the SAI of the United Kingdom.
- Working Group on Program Evaluation, chaired by the SAI of France.
- Working Group on the Audit of International Institutions, chaired by the SAI of Norway.
- Task Force to Fight Against International Money Laundering, chaired by the SAI of Peru.
- INTOSAI Governing Board Strategic Planning Task Force, chaired by the SAI of the United States of America.



The International Journal of Government Auditing

Members of the Journal's original Editorial Board (left to right): Mr. Elmer Staats, Comptroller General of the United States of America; Dr. Manuel Vincente Ledezma, Comptroller General of Venezuela; and Mr. A. Maxwell Henderson, Auditor General of Canada and Chairman, Governing Board of INTOSAI.

The *International Journal of Government Auditing* is INTOSAI's official organ and principal vehicle for communication between its members. Published quarterly in the five official INTOSAI languages (Arabic, English, French, German, and Spanish), its major goal is to provide a forum for sharing information and experiences on issues facing INTOSAI members. The *Journal* embodies basic INTOSAI principles by providing an equal voice for all members and striving to ensure representation from all of the organization's regional and linguistic groups.

Over the years, the *Journal's* content has evolved to reflect and support changes in INTOSAI as a whole. It currently includes news from member countries, coverage of INTOSAI events and the professional activities of members and regional organizations of SAIs, in-depth audit profiles providing detailed descriptions of member institutions, and practical articles on public sector auditing—such as case studies, ideas on new audit methodologies, and lessons learned by SAIs. Many of its editorials and technical articles are written by Auditors General of member SAIs; others have been written by leaders of international organizations such as the United Nations and the World Bank, demonstrating the way in which the *Journal* helps to foster partnerships worldwide and support the goals expressed in INTOSAI's motto, "Mutual Experience Benefits All."

The *Journal* has been published since 1971 when, based on a Governing Board resolution, a pilot issue—a single edition in English, French, and Spanish—was published and presented at the 7th INCOSAI in Montreal, Canada. In 1972, the Governing Board decided to publish the *Journal* quarterly in the same three languages starting in 1974. The editorial and production offices were housed in the Office of the Auditor General of Canada until 1979, when the *Journal* moved to the U.S. Government Accountability Office (GAO), which has published it since that time. The *Journal's* Editorial Board consists of the SAI heads of Austria, Canada, Tunisia, the United States, and Venezuela. In 1983, editions in German and Arabic were added.

The editors have conducted periodic surveys of *Journal* readers to take the “pulse” of reader satisfaction and to introduce new features and methods of distribution. Originally, the *Journal* was distributed to heads of all SAIs free of charge and to other interested parties by subscription. Since 2002, subscriptions have been eliminated and copies are distributed free of charge. As with many other publications, electronic dissemination has become increasingly important. Since 1999, issues of the *Journal* have been available in four of INTOSAI’s official languages (English, French, German, and Spanish) on the INTOSAI Web site, making the publication available to a wider audience.

The *Journal* is financed by receiving a percentage of the annual assessments member SAIs pay to INTOSAI. However, in-kind contributions from many SAIs have covered many of its costs—translations to others languages have been provided free of charge by the SAIs of Austria (German), Canada (French), Tunisia (Arabic) and Venezuela (Spanish). In addition, the U.S. GAO has since 1979 provided administrative, editorial, and production services at no cost to the organization. The introduction of desktop publishing and electronic dissemination of the *Journal* have helped to reduce costs.

Looking to the future, the *Journal* stands ready to support INTOSAI’s strategic plan and play a role in its implementation, especially in the area of knowledge sharing. With the continued support and participation of member SAIs, it will continue its success as the premier international magazine of government auditing.



The *Journal* is published in the five official languages of INTOSAI: (left to right) English, Spanish, French, German, and Arabic..



A 1990 SPASAI/IDI training managers workshop in New Zealand.

The INTOSAI Development Initiative (IDI)

Within INTOSAI, there had been discussion since the late 1970s of having an international entity to promote auditor training for SAIs. The concept was geared to centralize functions such as instructor training and curriculum development, while emphasizing the role of INTOSAI's regional groups in actual course delivery. In 1985, the INTOSAI Governing Board tasked a commission to establish the INTOSAI Development Initiative (IDI) to provide a focal point for all developing countries to turn to for information and advice about available accounting and auditing training programs. The focus would be on programs and activities, in particular training in the "basics" of accounting and auditing. Early on, it was decided to meet the need for providing training on a regional basis rather than expecting SAI staff to continually travel to a central IDI location for coursework. IDI would be a clearinghouse for the collection and dissemination of information, development of materials, and training of trainers and training managers.

IDI Established in 1986

The work of the IDI commission culminated at the INTOSAI Congress in Sydney, Australia, in 1986 when the proposal to establish IDI was approved. The proposal called for the formal establishment of IDI "to foster the advancement of public accounting and auditing, especially in developing nations, through information exchange and training for audit practitioners and trainers of SAIs."



IDI commission meeting at 1986 INCOSAI in Sydney, where the proposal to establish IDI was approved. (Left to right) Mr. Charles Bowsher, USA; Mr. Kenneth Dye, Canada; and Mr. Yvan Gaudette, Canada.

The IDI Secretariat was attached to the Canadian Auditor General's Office, and a Board of Directors headed by the Auditor General of Canada and the Comptroller General of the United States was set up. IDI planned to begin operations as soon as possible, with the delivery of the first training programs in INTOSAI regions during 1987. A draft of an International Directory of Audit Training Information was distributed, and a small IDI Secretariat was set up. It was decided that IDI would have an advisory group composed

of representatives from INTOSAI regions and other SAIs. From the beginning, IDI was to work in close collaboration with individual SAIs and INTOSAI regions to determine training needs and to develop and deliver IDI programs on a regional or sub-regional basis. Funding for IDI operations would be sought from national aid agencies and international development agencies.

First Period, 1986–1995

IDI's history can be divided into three periods. From 1986 through 1995, the programs were typically technical training courses tailored to meet the concrete needs of SAIs in different regions. The emphasis was on (1) enhancing the skills of audit practitioners through courses on audit planning and supervision, computer auditing, and audit testing and (2) equipping training and personnel managers with new skills through training manager workshops and human resource management seminars.



Participants and instructors in 1988 AFROSAI/IDI course in Kenya.

Second Period, 1996–2000

After 10 years, it was time for a shift in IDI's modus operandi. An INTOSAI-wide review of IDI programs and activities in the early 1990s pointed to the need for a stronger emphasis on developing regional training infrastructures to ensure the sustainability and long-term viability of results achieved at the regional and local levels. Therefore, IDI developed and in 1996 launched the Long Term Regional Training Program (LTRTP), which would focus primarily on developing human and institutional resources at the regional level, with a view to benefiting the local levels as well. The key objective of this long-term program was to help regional groups and member SAIs enhance their training capabilities and broaden the scope of their training and information exchange activities by establishing a training infrastructure to ensure the sustainability and viability of regional training programs. Key elements of the LTRTP would be to establish new regional training committees, develop regional operational training plans, establish regional training guidelines, and form in each region a pool of graduate training specialists able to assess training needs and meet them by organizing relevant local and regional training activities.

At the 1997 ARABOSAI/IDI Strategic Planning Workshop in Cairo, the ARABOSAI long-term regional training plan began to take shape.



LTRTP was designed to foster regional groups and sub-groups that could increasingly take additional responsibility for their own capacity building, from determining the training needs to designing, developing, delivering, evaluating, and funding their region's training programs. The IDI Secretariat would gradually be able to play a less direct role in regional training. Instead, its role would be to provide coordination and support; facilitate the exchange of methodologies and technologies; help identify human, material, and monetary resources; and provide guidance and advice.

Transfer of IDI to Norway

The 16th INTOSAI Congress in 1998 endorsed a proposal to transfer the IDI secretariat from the SAI of Canada to the SAI of Norway at the beginning of 2001. It was felt that, after 15 years, a change of leadership and venue would be beneficial to IDI and provide added incentive for new ideas and endeavors. The transfer was prepared accordingly, and the new IDI Secretariat in Norway gradually familiarized itself with the tasks before it took over the operations in 2001.

Details of the transfer of IDI operations from Canada to Norway included procedures for dissolving the corporation in Canada and establishing a new foundation under Norwegian law. IDI in Norway continued with a Board of Directors, comprising the Auditors General of Canada, Norway, the Netherlands, and the United Kingdom, to supervise overall management and administration. IDI also maintained the Advisory Committee structure and continued its annual reporting to the INTOSAI Governing Board and triennial reporting at the INTOSAI Congress.

Third Period, 2001–2006

By the end of 2000, the LTRTP had been delivered in most INTOSAI regions (AFROSAI, ARABOSAI, ASOSAI, OLACEFS, and SPASAI). The regional training committees were in place, regional training plans were being implemented, and a pool of approximately 25 training specialists per region was available to the regions and their national SAIs. The IDI Secretariat was able to concentrate more on the new role it intended to have after delivery of the LTRTP.

A survey of SAIs in developing nations was conducted in 1999 and 2000, and the information collected was used to shape the IDI strategic plan for 2001-2006. The plan envisioned maintaining and further developing the regional training infrastructure, expanding programs into new areas (such as more systematic cooperation with



Small group discussion at 2001 IDI Symposium of IDI Training Specialists, attended by 158 specialists from 82 countries.

INTOSAI standing committees and working groups), and exploring distance learning as a new training vehicle for SAIs.

After the IDI Board and the INTOSAI Congress approved the plan, the IDI Secretariat started implementing it in 2001. The LTRTP was delivered in the two remaining regions (CAROSAI and EUROSAI); in all, more than 200 training specialists have graduated from

the program. The governments of Canada, Denmark, Finland, Iceland, Norway, and Sweden and the World Bank have provided financial support. IDI, the INTOSAI regions, and a number of INTOSAI's standing committees and working groups have worked together closely to develop and deliver the programs and activities. Another key factor in the success of the IDI concept has been the active input and valuable in-kind support received at every stage from INTOSAI members. IDI relies upon the financial support of the national and international development cooperation agencies and the contributions of many SAIs, whose support is highly appreciated.

As INTOSAI celebrates its 50th anniversary, IDI has grown to be a mature member of the INTOSAI family that contributes actively to the development of SAIs. Although it has a small Secretariat staff, IDI is able to accomplish a great deal by working on the regional level and stimulating and encouraging regional and local capacity-building initiatives. Because training and other capacity-building needs change over time, IDI always aims to maintain the flexibility to respond to new emerging needs.

INTOSAI Congresses





I INCOSAI

Havana, November 1953

Hosted by the Ministry of Auditing and Control of the Republic of Cuba

To build, over five decades, an international organization capable of bringing together more than 180 Supreme Audit Institutions (SAI) worldwide is no doubt a significant historical achievement on the threshold of the 21st century. It is particularly significant given the rapid technological evolution and decisive economic, political, social, and ecological changes linked to an accelerated process of globalization over the past 50 years.



Members of the SAIs of France and Cuba attending the first INCOSAI in Havana.

INTOSAI has faced many challenges in this complex scenario following the First International Congress of Supreme Audit Institutions (INCOSAI) held in November 1953 in Havana, Cuba. INTOSAI's ability to assume the commitment to foster SAIs' active participation in controlling public resources, promoting the integrity of government employees, and assisting our societies in improving the performance, usefulness, and efficiency of actions carried out by governments is proof of the organization's admirable capacity.

As an international organization recognized within the field of public sector auditing, INTOSAI has prompted the exchange of information and experiences among its members, reinforcing conformity with the law and regularity of operations, the reliability of accounting records, accountability, and transparency. By widening the scope to cover other activities, such as the fight against corruption and environmental audit, INTOSAI has added a new value to the *raison d'être* of SAIs.

The Ministry of Auditing and Control of the Republic of Cuba, in its capacity as an SAI, highly values the honor bestowed on our country to host the first INTOSAI Congress.

As a member of INTOSAI and subsequently of its regional organ, the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), the Ministry actively participates in Congresses, training events, working meetings, and general assemblies. This participation has enabled it to enhance the organizational and legal bases of its audit activities, has brought about the signing of several cooperative agreements with member states, and has permitted an exchange of experiences and information through international seminars on topics such as management audit.

The Ministry has participated in training events sponsored by the INTOSAI Development Initiative (IDI) that have enabled it to learn about modern audit tools. Consequently, experts have been trained who can multiply this knowledge by transferring their experiences to their countries.

A very significant international event was the 13th OLACEFS General Assembly, which was held in Cuba in November 2003. This meeting strengthened cooperation and the exchange of ideas in the control and auditing of public resources.

Finally, it is should be underscored that based on commitment and consensus, it will become possible to achieve an integration of countries while respecting their diversity and sovereignty and simultaneously reaffirming the principles of equity, respect, and solidarity. Thus, cooperation in matters of knowledge transfer, development of joint investigations, and the application of information technologies will, in agreement with the permanent will of INTOSAI, afford opportunities for the advancement of SAIs.

II INCOSAI

Brussels, September 1956

Hosted by the Court of Audit of Belgium

The Court of Audit of Belgium, under the patronage of the Belgian government, hosted the 2nd INCOSAI in Brussels from September 24-29, 1956. The SAIs of 40 states and 6 international organizations were represented at this Congress, whose activities addressed the following four themes:

- appropriate institutional means to secure independence of supreme audit institutions;
- appropriate means to ensure financial control of international and supranational institutions;
- appropriate means to ensure financial control of nationalized industries and organizations that receive government financial assistance; and
- institution of a system of preventive control of public expenditure, purposes and terms.

With regard to the first theme, the autonomy of the Court of Audit of Belgium has been guaranteed since the country's independence by both the Constitution and the legislature (the organic law of October 29, 1846). This autonomy, which is both organic and functional, constitutes an essential characteristic of the institution to this very day, despite the numerous institutional reforms that have transformed Belgium into a federal state. The Court of Audit is the country's external and independent institution for auditing the public finances of the federal community and regional and provincial governments.

The means destined for the audit of international organizations do not, as such, have any bearing on the activity of the Court of Audit of Belgium. However, where the Court has been the external auditor of certain international organizations, it has acted in accordance with INTOSAI recommenda-

tions relating to the guarantees of independence, competence, and effectiveness required to audit these organizations.

With regard to the third theme, the Belgian legislature has, from the very beginning, addressed the need to audit the enterprises and organisms in which the government has a financial interest. Changes made to this legislation during the last decade to



Delegates to the 2nd INCOSAI in Brussels.

address the evolution of society concerning both public enterprises and social security entities have made it possible to safeguard the Court's audit privilege. Furthermore, the recent authority granted to the Court to audit the sound use of public funds makes it possible to satisfy several objectives highlighted on the occasion of the 2nd INCOSAI.

Finally, with regard to the fourth theme, Belgian legislation provides for various modalities that allow for a preventive control to guarantee the correct implementation of the budget. In conformity with the resolution adopted during the 2nd

INCOSAI—which considers the audit of commitments as the most effective modality for a preventive control—one must point out that both the financial inspectorate and the commitment auditors, who enjoy complete independence, perform the audit of commitments.



Plenary session of 2nd INCOSAI.

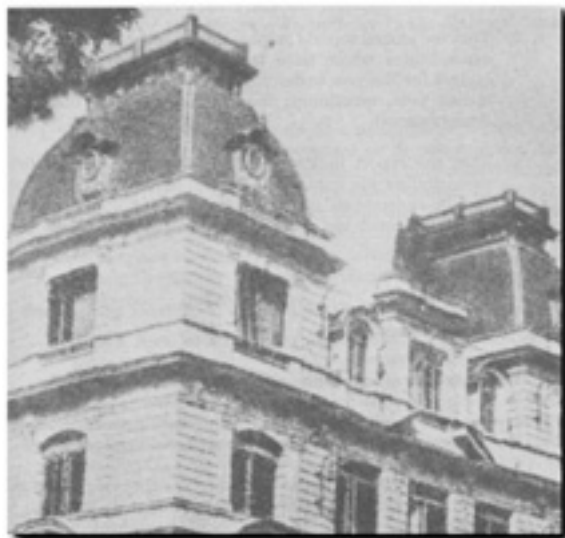


III INCOSAI

Rio de Janeiro, May 1959

Hosted by the Court of Audit of Brazil

The Court of Audit of Brazil (TCU) hosted the 3rd INCOSAI, May 3-10, 1959. The themes of that Congress had repercussions on the structure, procedures, and mission of the TCU. The issues discussed were SAIs' functions in regard to revenues, methods of budgetary and accounting statement allowing for the accurate estimate of public services' costs and revenues, and supreme juridical and financial control in the execution of economic and social development plans.



*Former Court of Audit of Brazil,
venue of the 3rd INCOSAI.*

The Congress recommended that the SAIs should, within their sphere of competencies, exercise the widest possible auditing of government revenue. The Federal Constitution of 1988 gave the TCU the authority to audit the tax agency. The 5th Secretariat of External Control of the TCU is currently the technical unit responsible for such auditing.

Another suggestion directed that an SAI should not issue statements limited to legal conformity but should also issue opinions regarding the performance of planning. During the period following the Constitution of 1988, the TCU also evaluated the performance of the public services. To carry out these activities, it has specialized departments: Auditing and Evaluation of Government Programs, Macro-Governmental Evaluation, Auditing of Privatization, and Auditing of Works and Assets of the Union [Brazil].

In addition, the 3rd INCOSAI recommended that audits of public expenses should be motivated by the operational budget. From 1967 onwards, Brazil abandoned the traditional budget format and adopted methods that gave priority to the evaluation of results, though in an incipient manner. The adoption of a performance budget—in other words, a budget prepared on the basis of objectives to be reached and not limited to the inputs for such action—made it possible to review the Brazilian budget nomenclature with a view to reorganizing the items according to the nature of the activities. The budget has currently evolved in line with a program budget concept, in which the budget process is a set of actions linked to a public planning process, with objectives and goals to be reached over an established period of time.

Technological modernization is another significant point. The 3rd INCOSAI recommended that the SAI invest in automated accounting and statistical services in order to carry out its work more efficiently. During its lifetime, the TCU has always aimed to apply new and useful technologies to the field of auditing. Over past years, the



widespread adoption of information technology has produced greater levels of transparency, efficiency, and effectiveness in external control activities. The TCU Web site provides information on such matters as public accounts, ongoing and completed audits, management reports, and the issuance of certificates. The TCU also employs electronic data systems that are important working tools. Of special note are the Integrated System of Financial Administration of the Federal Government, the network of the Federal Service for Data Processing and Information Technology, and the Data Processing Center of the Federal Senate. The orientation undertaken as a result of the 3rd Congress confirmed the option to modernize and also prompted the search for new tools and methods.

The discussions and recommendations of the 3rd INCOSAI were an additional incentive to update the auditing activities in Brazil and to further develop financial and budget administration. The ideas discussed prompted the creation of new auditing mechanisms capable of measuring not only the legal conformity of public spending but also its efficiency, effectiveness, and economy. As we have seen, the results of the 3rd INCOSAI were not limited to that historical moment; they also brought long-term changes to the manner in which auditing tasks are carried out in Brazil.



IV INCOSAI

Vienna, May 1962

Hosted by the Court of Audit of the Republic of Austria



Venue of 4th INCOSAI in Vienna.

INTOSAI held the 4th International Congress of Supreme Audit Institutions (INCOSAI) in Vienna, Austria, May 18-26, 1962. The Austrian Court of Audit, under its then president, Dr. Hans Frenzel, hosted this event, which brought together more than 60 delegations from SAIs and international organizations (about 140 participants and observers in all).

The 4th INCOSAI addressed the following themes:

- control of national authorities and other institutions abroad (theme 1),
- control of institutions subsidized from public funds (theme 2),
- audit of economic enterprises established under civil law with the financial participation of the state (nationalized enterprises, theme 3), and
- action to be taken for a more effective implementation of the suggestions made by the SAIs (theme 4).

Impact of IV INCOSAI on the Austrian Court of Audit

The audit mandate of the Austrian Court of Audit has been largely laid down in law, in most cases even in constitutional law, for several decades. The Austrian Court of Audit is empowered to audit the economy, efficiency, and effectiveness; the legality and regularity; and the correctness of accounting of the financial operations of the Republic of Austria's government and administrative units and institutions on several levels: the central (federal), regional (nine provinces), and local government levels (communities with at least 20,000 inhabitants, associations of local authorities). Moreover, in compliance with defined auditing standards, the Austrian Court of Audit audits the financial operations of (1) enterprises in which the government holds a share of at least 50 percent and (2) legal entities (even outside the area of public administration) that receive financial funding from the federal level, the



provinces, or local authorities (recipients of public subsidies) for their financial operations. At least once a year, the Austrian Court of Audit is required to report the findings of its audits to the respective parliaments (the National Council at the federal level, the provincial diets at the regional level, and the municipal councils at the local level). The reports must be made public after having been submitted to these representational bodies.

Regarding the recommendations the 4th INCOSAI adopted on theme 1—according to which SAIs are empowered to audit the financial operations of national bodies that carry out their activities abroad in the same way as if those activities were being carried out at home—the authorities representing Austria abroad (e.g., embassies) fall within the unlimited auditing jurisdiction of the Austrian Court of Audit. In past years, the Austrian Court of Audit has carried out several such on-site audits abroad.

Regarding the recommendations related to theme 2 (e.g., definition of the term “subsidy” and regulation by law of the conditions and procedures for granting subsidies), the laws of Austria provide the required framework to empower the Austrian Court of Audit to effectively audit the recipients of public funds (subsidies) to determine whether the funds were used as appropriated and earmarked and to assess the economy, efficiency, and effectiveness of financial operations.

With respect to theme 3, the legal regulations relating to the audit of enterprises in which the Republic of Austria has a financial participation were applicable for the Austrian Court of Audit prior to the 4th INCOSAI (and still are). These regulations correspond largely to the recommendations issued by the 4th INCOSAI (e.g., independent SAI functionality in addition to government control and private-sector accountants, not limiting SAI auditing to the regularity of accounting, and protection of business secrets of the enterprises being audited).

As the supreme organ of government audit, the Austrian Court of Audit audits the financial operations of nationalized enterprises in a comprehensive manner in compliance with previously mentioned auditing standards, which far exceed those of private-sector accountants.

Moreover, the Austrian Court of Audit’s audit mandate regarding such enterprises may not be based solely on the government’s financial participation (i.e., having at least a 50 percent share in the nominal capital, share capital, or equity capital). In line with another recommendation issued by the Congress, the mandate is also based on the fact that the government exercises control over such enterprises through other financial, economic, or organizational measures (e.g., participation of the government in the appointment of enterprise executives).

In conducting its audits and disclosing its findings, the Austrian Court of Audit is bound by law to protect the business and trade secrets of the enterprises being audited.



Implementation of the recommendations regarding theme 4 (special reporting outside the framework of annual reporting and broad dissemination of reports) has been accommodated by the fact that the Austrian Court of Audit has the right to report to the National Council and the provincial diets on individual observations at any time and in addition to its annual reports. The Austrian Court of Audit makes regular use of the option of publishing reports throughout the year, with a special view to providing the respective Parliaments and the public with information that is as up to date as possible.

In this context, the so-called “unsettled business list” used in government auditing should also be mentioned. This list is submitted to Parliament at the federal and regional levels within the scope of the Austrian Court of Audit’s reporting activities and is published, together with the respective report, on the Court’s Web site (<http://www.rechnungshof.gv.at>) under the heading “Services-Reports, Federation, Federal States” (Bund, Bundesländer). It lists recommendations issued by the Austrian Court of Audit during the course of previous audits and indicates the status of implementation (suggestions not implemented yet or currently being implemented, recommendations already implemented). This list makes up-to-date information relevant for decision-making available to decisionmakers on the parliamentary level while providing vital information about external government auditing in Austria to Austrian citizens and the media.

Finally, it should be mentioned that the INTOSAI members at the 4th INCOSAI honored the Austrian Court of Audit and its successful hosting of the Congress by asking the Court to take over the running of the General Secretariat of INTOSAI. To the present, the Austrian Court of Audit has complied with this request by relying to a considerable extent on its own resources and by carrying out activities in accordance with INTOSAI’s guiding principles—the equality of its members and their voluntary participation in INTOSAI.

In carrying out this mandate, the Austrian Court of Audit’s special concern has always been to put its comprehensive audit experience at the service of all INTOSAI members through active participation in several of INTOSAI’s committees and working groups.



V INCOSAI

Jerusalem, June 1965

Hosted by the State Comptroller's Office of Israel

Israel hosted the 5th INCOSAI in June 1965. It was a significant event from the point of view of both the State Comptroller's Office and the public. The Congress was covered in the local and international media and aroused much public interest.



Then Foreign Affairs Minister Golda Meir of Israel addresses the delegates to the 5th INCOSAI in Jerusalem.

The Congress was given special recognition by the Knesset (Israel's Parliament), which cited the hosting of the Congress in Jerusalem as an important achievement that contributed to the country's prestige. At the time, the State of Israel was still a very young country and, in fact, was the first of the countries established after World War II privileged to host an INCOSAI.

The organization of the Congress by a newly emerging country in the midst of shaping government and administrative norms and forming its institutions was particularly

significant. It is always important to raise the awareness of government institutions and the public regarding the centrality of state audit as a foundation for creating a healthy public administration and proper public norms of conduct. It was especially meaningful to do so in a country experiencing the aforesaid process. INTOSAI should, therefore, carefully consider this when determining the location of its Congresses. Holding the Congress in Israel in 1965 strengthened the status of the State Comptroller's Office within the country and increased its self-confidence as a developing audit institution. It could have the same effect on other countries in similar situations.

The special circumstances in which the 1965 Congress was held gave Israel the opportunity to strengthen its ties with developing countries with whom it was already cooperating. Shortly after the Congress, an international seminar on state audit was held in Israel and was specifically designed for representatives of new audit institutions. This first seminar of its kind enabled the participants to examine the special needs of newly established audit institutions and consider unique ways to meet them.

While every audit institution operates according to the circumstances and laws of its country and adapts to its traditions and political culture, the organizing and hosting of an international congress strengthens the awareness that we are part of the larger mosaic of supreme audit institutions and that, in spite of our differences, we have much in common. These differences and similarities create a dialectical process that can generate new strengths and a more comprehensive vision of reality from which we can all derive benefit.



As the host for the Congress, the State Comptroller's Office was involved in processing the material and position papers of the participating members. This allowed us to examine the various methods and approaches to state audit in an intensive and focused way, thus increasing our awareness of different possibilities and stimulating additional research and development. Furthermore, the involvement of Dr. Itzhak Ernst Nebenzahl, Israel's State Comptroller, in international activities in his capacity as President of the Congress and Chairman of the Governing Board of INTOSAI strengthened and deepened the Office's international and bilateral cooperation with other state audit institutions.

The Congress gave the State Comptroller a unique opportunity to present his concept of state audit before the government leadership in Israel who attended the Congress and to connect this concept to Israel's culture and tradition. In his words to the opening session of the Congress, Dr. Nebenzahl presented the various functions of state audit, stating, "Supreme audit must join in the unremitting efforts of ensuring that public administration conducts itself justly and fairly; justly towards the individual and fairly towards the community. Justice and fairness are perhaps the supreme values of human society." These words express the outlook on state audit in Israel to this very day.



VI INCOSAI

Tokyo, May 1968

Hosted by the Board of Audit of Japan

The 6th INCOSAI was held in Tokyo from May 22-30, 1968, with delegates from some 70 SAIs in attendance. This was the first INTOSAI meeting held in Asia. Its most significant achievement was the adoption of INTOSAI's Standing Orders, by which INTOSAI was formally established as a permanent international institution.



Congress officers of the 6th INCOSAI.

The Board faced various challenges in preparing for and carrying out the Congress because it was the first international meeting it had hosted. Nevertheless, with the cooperation rendered by the participating SAIs, the 6th INCOSAI was a great success. The Board started its international cooperation activities with that experience as a lesson learned.

The Board of Audit of Japan has been more involved in international activities since it hosted the 6th INCOSAI in 1968. The Board has been a member of the Governing Board from 2001 to the present, as well as from 1966 through 1983. The Board is currently working with other SAIs as an active member of the Auditing Standards Committee, the Committee on IT Audit, and the Working Group on the Audit of the International Institutions.

From 1991 to 2000, the Board served as the General Secretariat of ASOSAI, one of the INTOSAI regional working groups, and since 2000 has helped organize its training activities as administrator. Recently, the Board of Audit of Japan has worked together with the current General Secretariat of ASOSAI to organize the annual ASOSAI Seminar and another seminar funded by the Asian Development Bank with more than 50 participants to date.

In addition to its INTOSAI activities, the Board of Audit of Japan has organized and hosted the Tokyo International Audit Forum since 1996 to exchange viewpoints and information on issues that many SAIs have in common. The forum has been very successful, benefiting from the contributions of the participating SAIs.

More than 35 years have passed since the 6th INCOSAI was held in 1968. During that time, more attention has been focused on SAIs around the world and the public's expectation of SAIs has grown. Meanwhile, government activities subject to audit activities have become more varied and complicated. Consequently, cooperation between SAIs has become even more essential to tackle the issues they have in common. Given these circumstances, INCOSAI will become more and more



important as a vehicle for heads of SAIs to exchange their viewpoints and experience as well as to foster mutual understanding and cooperation. Needless to say, the ongoing activities of the commissions established by the INCOSAI have contributed to the audit activities of the various SAIs, including the Board of Audit of Japan.

In the future, the Board of Audit of Japan is committed to continuing to support INTOSAI, which has lasted for more than a half century, as it continues its important work.



VII INCOSAI

Montreal, September 1971

Hosted by the Office of the Auditor General of Canada

In 1971, the 7th International Congress of Supreme Audit Institutions, which was hosted by the Office of the Auditor General of Canada, had an important impact on the future role and work of the office. The developments culminated in the passing of a new Auditor General Act by the Parliament of Canada in 1977. This act expanded the office's role by providing the Auditor General with the mandate to perform value-for-money audits.



Plenary session of the 7th INCOSAI in Montreal.

The Office of the Auditor General was established in 1878. Given its lengthy history, it might be expected that by the time of the 7th INCOSAI, the office's constitutional and operational role would have been well defined and generally understood. However, during the decade preceding the Congress, and particularly between 1968 and 1972, the responsibilities of the Auditor General and the office's relationships with government departments and agencies had become the source of considerable questioning and controversy.

During his term as Auditor General (1960 to 1973), Maxwell Henderson frequently commented that he was unable to obtain enough qualified staff to meet his needs. Mr. Henderson felt that to operate effectively, he needed broad flexibility, particularly in managing staff.

Another issue that emerged (although its implications were not fully explored at the time) was the question of the Auditor General's freedom to report. Which areas could he legitimately investigate and report on, and which matters lay beyond his jurisdiction? For several years, the Auditor General had included in his annual report comments on "non-productive payments" that he had observed during the course of examining the government's accounts. These were transactions that while legal, provided no clear benefits to Canadians.

The reports were controversial because government officials felt that the Auditor General was commenting on government policy and therefore going beyond his mandate. This resulted in an uncomfortable relationship between the Auditor General and the government administration, one that neither party seemed able to improve. Clearly, there was a need for a fundamental reassessment of the office's functions and a definition of future direction.



Hosting the 7th INCOSAI in Canada was timely. The Congress devoted considerable discussion to whether so-called management or operational auditing should be considered part of the role of government auditors. It also considered the qualifications that audit staff would need to perform these kinds of audits. The discussions suggested that new developments had been occurring in several countries, pointing to an extension of audit scope and responsibilities of government auditors along these lines.

In Britain, the Comptroller and Auditor General had questioned and drawn to the attention of Parliament transactions that reflected on many aspects of the government's program administration. His comments went well beyond mere technical regularity. The U.S. GAO had already expanded its view of government auditing to an approach we called comprehensive auditing. Sweden was another nation where the meaning of auditing had been extended well beyond mere regularity. In France, Israel, and the Netherlands, the role of the respective national audit institutions had been extended through specific legislative authority to include assessing efficiency.

These international developments explored at the 7th INCOSAI supported the view that the interest in the Auditor General's role that was emerging in Canada was also a response to forces of change being felt in many parts of the world.

During his term as Auditor General, which began in 1973, James J. Macdonell took an immediate interest in the question of his role and responsibilities and suggested that a far-reaching review of the office would be timely. He announced, in consultation with the Standing Committee of Public Accounts, that he had established an Independent Review Committee to conduct such a review and report publicly on its findings.

The terms of reference encompassed the responsibilities that should be carried out by the Auditor General, including the scope of his audits and the nature of his reports as well as his independence and the nature of the relationships he should maintain both within and outside the government.

In Canada, discussions were held with professional organizations, the private sector, the academic community, senior government officials, federal ministers, members of Parliament, and the general public. In 1974, the discussions extended into the international realm as a result of the findings of the 7th INCOSAI.

In Europe, discussions included government auditors and other officials in Britain, Sweden, France, and the Netherlands. Because the 8th INCOSAI hosted by Spain coincided with this research, the Review Committee could also meet with govern-



ment audit officials of Israel, West Germany, Austria, and South Africa. In the United States, the Committee met the Comptroller General, and the Auditor General of Australia visited Ottawa.

These discussions proved very useful in (1) providing the Review Committee with a broad international context in which to view the role of Canada's Auditor General and (2) expanding the understanding and appreciation of trends in government auditing. The Committee concluded, and recommended, that separate legislation should be enacted governing the role, responsibilities, and relationships of the Auditor General and the Audit Office.

The new 1977 Auditor General Act resulted from this process. The act clarified and expanded the Auditor General's responsibilities. In addition to looking at the accuracy of financial statements, the Auditor General was given a broader mandate to



examine how well the government managed its affairs. The new act maintained the important principle that the Auditor General does not comment on policy choices but does examine how those policies are implemented.

Reception at the Citadel in Quebec City during the 7th INCOSAI.



VIII INCOSAI

Madrid, May 1974

Hosted by the Court of Audit of Spain

The successive INTOSAI Congresses have in all cases made a mark on the host SAIs, providing them with a significant and enriching experience from both the technical and human points of view. The Congresses provide an awareness of the importance of reciprocal cooperation and understanding between peoples and of common, shared interests among a community that is based on permanent, fundamental principles (justice, freedom, and respect for the law), enabling a just and peaceful international order to be established and firmly maintained. The Congresses also underscore the importance of seeking the best systems and methods for auditing the management of public finances to ensure their lawful, regular, effective, efficient, and economical application. This spirit encourages them to perform their tasks efficiently and to adapt to, and if possible anticipate, the new requirements of a society undergoing continuous, rapid change, acting as its driving force rather than being driven by it.



Then Prince Juan Carlos of Spain declares the 8th INCOSAI open.

In addition to the effects produced by relations with other SAIs, the organizing of the INTOSAI Congresses has had important repercussions on the institutions themselves, in particular on those that were at a stage of formation or transition. The Congresses have generated new ideas and changes in the very concept of the institutions. This exchange of ideas and experiences has thus helped correct deficiencies, introduce innovations in line with the times, and achieve greater credibility in the political arena in which the SAIs perform their work on the basis of maximum operating efficiency backed by the guarantee of institutional independence.

These considerations were certainly predictable for the Court of Audit of Spain as host of the 8th INTOSAI Congress, which was held in Madrid, May 13-22, 1974, and was a momentous event both nationally and internationally. Representatives of SAIs from over 90 countries took part, making it the Congress with the largest and most varied attendance to that date.

This Congress was held at a crucial historical moment for Spain. It was a time when the political regime—and with it the very concept of the institutions that included what was then called the Court of Audit of the Kingdom—was about to undergo a fundamental change with the proclamation of a democratic state subject to the rule of law, guaranteed by the 1978 Constitution, whose 25th anniversary was celebrated in the same year as the 50th anniversary of INTOSAI.

After the 8th INTOSAI Congress and in light of the recommendations resulting from it, the Court of Audit gradually became aware of the need to deal with the various internal transitions that were becoming necessary due to the rapid changes in the



economy, the classical concept of a public treasury, and the governing principles of audit, as well as in the structure and powers of the public sector. Since the SAI in Spain was not the only body to be facing such a situation, it was deemed advisable to undertake overall action aimed at formulating general principles of financial auditing that would be applicable in the broadest context possible.

In this respect, an important initiative by the 8th INTOSAI Congress was to propose and adopt a resolution to produce a compendium of the conclusions and recommendations of earlier Congresses that could be studied and reviewed on an ongoing basis in order to keep them up to date and practically applicable, so that a declaration of principles for the audit of public funds could be drawn up. There was also insistence that these recommendations should not remain as mere general guiding postulates but, as far as possible, should be included in national standards or practices for producing rules not written into the respective legal systems.

Three years later, with the active participation of the Court of Audit of Spain, the next INTOSAI Congress approved what is known as the Lima Declaration, a true declaration of principles containing the foundations for a modern, effective financial audit: the necessary institutional and financial independence of SAIs as a guarantee of the independence and objectivity of the audit itself; the indispensable qualifications and continual professional development of auditors; the need to extend auditing to all public funds or public financial interests and to properly publicize the results; the essential cooperation between audits in order to avoid duplication and to benefit from the synergies of the results, making them more effective; and the need to perfect audit systems, standards, and procedures and establish the necessary uniform concepts and terminology.

These principles were fundamental when it came to drafting Article 136 of the Spanish Constitution of 1978, which governs the Court of Audit—as can be seen from the reports of the parliamentary debates that led up to it, which contain specific mention of the Lima Declaration—so that, at least conceptually, the spirit of the declaration was incorporated in the Spanish Constitution.

As a result of the role the Court of Audit of Spain played in the 8th INTOSAI Congress, its international reputation grew considerably and it participated in many meetings and seminars. First, as Chair of INTOSAI and later as Vice-Chair, it took part in drafting Article 9 of the organization's first Statutes, approved in Tokyo in 1968, which concerned the creation of regional working groups. As a result, 1975 saw the start of an intense effort that culminated in the immediate drawing up and approval of the Statutes of AFROSAI (1976), ARABOSAI (1977), and ASOSAI (1978) and the preliminary work on the creation of EUROSAI, which took place in Madrid in 1990, with the Court of Audit of Spain being appointed as its Permanent Secretary.



Within this framework, and in order to extend knowledge of the principles of the Lima Declaration and their adoption by the various SAIs in the regional working groups, the Court of Audit actively cooperated in the training seminars organized jointly by INTOSAI and the United Nations.

This broad outline of the consequences for the Court of Audit of Spain of organizing the 8th INTOSAI Congress shows clearly that this was not merely one of many international events in the life of a country but an important step for the future of our institution.

On the one hand, it made a notable contribution to adapting the essential principles and postulates that must govern an efficient financial audit adapted to current needs, and it brought a corresponding increase in the Court's standing and credibility within the country's political community. On the other hand, the 8th Congress put the Court of Audit "on the map" and brought it international recognition as a result of its very considerable efforts to develop and establish INTOSAI and of the principles that inspired the organization, which are set out in Article One of its Statutes: to promote the exchange of ideas and experiences among SAIs in matters of common interest in the field of audit.

The regional working groups have played an important role in encouraging cooperation between SAIs and in reinforcing INTOSAI. EUROSAI was set up in Europe to promote, within the framework of INTOSAI, understanding and professional and technical cooperation among the member institutions and the other regional working groups in the audit of public financial management.

In this respect, EUROSAI must play a crucial role in the future by making SAIs aware of the importance of progressing together through real cooperation, within their own region and in relation to other regional working groups. This has been realized in part with OLACEFS, a pioneering organization created as ILACIF in 1962 and renamed in 1990, by holding regular joint meetings, starting in Madrid in 2000 with the Court of Audit of Spain acting as host. This role is even more important when placed in the context of the continuous integration and globalization processes of today's world. As the whole is greater than the sum of the individual parts, cooperation enables us to obtain an added value that contributes toward greater efficiency and transparency in auditing.

It is time, therefore, to look to the future with optimism and with the healthy ambition of attaining the high goals established by INTOSAI, an organization created under the auspices of the United Nations, which ultimately means participating in the UN's general aims: to contribute to understanding and cooperation between individuals, peoples, and organizations in order to achieve a fair and peaceful world order that dignifies and strengthens the international community.



IX INCOSAI

Lima, October 1977

Hosted by the Office of the Comptroller General of Peru

The 9th INCOSAI, held in Lima, October 17-26, 1977, brought together 235 representatives from 95 countries and all five continents.



Brigadier General Luis Montoya Montoya, Comptroller General of Peru, addresses the first plenary session at the 9th INCOSAI. To the left are Dr. Jörg Kandutsch, Secretary General of INTOSAI, and Dr. Hubert Weber, his assistant; to the right is Mr. Servando Fernandez-Victorio y Campos, head of the Spanish SAI.

For Peru, it was an important milestone because of the signing of the Lima Declaration, which today still contains the basic guidelines on auditing precepts of the SAIs that are members of INTOSAI.

The technical themes covered by the Congress were (1) the declaration of guidelines on auditing precepts, (2) control of decentralized institutions of the public administration, (3) role and requirements of financial control within administrative reform, and (4) auditing public health and environmental protection agencies.

It should be noted that at the time of the Congress, the SAI of Peru took on the chairmanship of the Governing Board of INTOSAI for 3 consecutive years, consolidating its international leadership based on its aim of providing service. In 1996, it took over the chairmanship of the Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS) for a term of 6 years.

The Lima Declaration

The initial part of the Lima Declaration defines the purpose of audit, pre-audit and post-audit, internal audit and external audit, and formal audit and performance audit.

It requires the independence of SAIs, their members, and their officials; it also requires the financial independence of SAIs.

The Declaration also covers the relationship to Parliament, government, and the administration. With respect to powers, it deals with the powers of investigation, enforcement of SAI findings, expert opinions, and other forms of consultation. It also covers subjects relating to audit methods, audit personnel, and international exchange of experiences. It includes aspects of reporting to Parliament and to the general public, as well as the method of reporting.

Finally, as regards the audit powers of supreme audit institutions, it sets out the constitutional basis of audit powers, audits of public financial management, audits of public authorities and other institutions abroad, tax audits, public contracts and public works, audits of electronic data processing facilities, commercial enterprises with public participation, audits of subsidized institutions, and audits of international and supranational institutions.



X INCOSAI

Nairobi, June 1980

Hosted by the Office of the Comptroller and Auditor General of Kenya



President Daniel Arap Moi addresses the 10th INCOSAI. To the right are Mr. David Njoroge, head of the Kenyan SAI, and Brigadier General Luis Montoya Montoya, head of the Peruvian SAI.

The 10th INCOSAI, the first Congress in Africa, was held June 15-28, 1980, and was characterized by a great deal of information exchange, good discussions, and a friendly environment set by host David Njoroge and the staff of the Office of the Comptroller and Auditor General of Kenya. More than 200 delegates from over 100 SAIs participated in a well-planned series of events.

The Congress themes were as follows:

- Theme 1: Application of computer systems in budgetary accounting and financial control with regard to data recorded on image carriers.
- Theme 2: The problems of adapting and implementing modern audit techniques in developing countries.
- Theme 3: Government audit in the international and supranational field.
- Theme 4: Efficiency and effectiveness control of public enterprises.

Recommendations related to the four themes were worked out during the 10th Congress. Some of the key recommendations are as follows:

For theme 1 (the application of computer systems), the Congress recommended that

- for automation projects, feasibility studies incorporating cost-benefit calculations be carried out before making a decision to computerize and that periodic reviews of cost-benefit calculations be made as electronic data processing (EDP) projects are carried out;
- governments develop an EDP policy and standards related to the design, development, and use of computerized systems that take into account the organizational evolution of public administration and the needs of users;
- SAIs continue to promote the adoption of appropriate control measures at the systems design stage to ensure the reliability of data processing and the management information produced, as well as the auditability of computerized systems; and
- clear lines of accountability for electronic processing systems be refined, particularly with regard to the managers, system users, and systems development.



For theme 2 (adapting and implementing modern audit techniques in developing countries), the Congress recommended that

- each SAI continue to make efforts to adapt and implement modern techniques of public sector audit relevant to its own environment and needs;
- each country endeavor to promote sound financial management and accounting systems to serve as a base for effective audit;
- INTOSAI and its regional groups, the United Nations, and other agencies engaged in international development continue to provide assistance for expanded regional training programs and exchange of information and experiences at the national, regional, and international level; and
- INTOSAI continue the standardization of terminology for state audit with a view to facilitating exchange of information and training.

For theme 3 (government audit related to the international and supranational field), the Congress recommended that

- all organizations, financing projects, and aid arrangements set up by agreement between two or more national states for a common purpose—whether in a working partnership (international) or by transfer of certain sovereign powers to a commonly agreed upon decision-making organization (supranational)—be subject to external audit control;
- the authorities performing the audit be of acceptable professional audit competence, measured to the best general standards established by SAIs;
- the external audit authority be totally independent of the audited organization or project operator and sponsoring and recipient governments;
- the external audit authority be required to produce reports that form the basis of a formal follow-up procedure in which the organization/operator's financial performance is examined in detail by the competent budgetary or governing authority;
- the external audit authority be entitled to prepare its own budget independently and determine and implement its recruitment policy independently within the budgetary limits; and
- the competent national authorities inform the SAIs of audit arrangements for new international and supranational organizations and changes in the audit arrangements of existing organizations.



For theme 4 (efficiency and effectiveness control of public enterprises), the Congress recommended that

- SAIs evaluate the performance of state enterprises in relation to the social, economic, and commercial objectives related to government policies and the current situations and specific circumstances of the socio-economic environment in each state;
- the evaluation of the effectiveness regarding the fulfillment of any goals or objectives also consider the degree of efficiency and economy with which the invested resources have been managed, including the evaluation of the management system adopted by the enterprises; and
- modern techniques of auditing be applied in the control of public enterprises.

One of the most important matters decided by the Governing Board at the Nairobi Congress was the adoption of a new format for future Congresses. Chairman Francisco Tantuico of the Philippines, the host of the 1983 Congress, proposed the new format. His proposal divided the themes into subthemes, which Congress participants would discuss in smaller sessions (groups of 30 to 35). After these sessions, a rapporteur for each group would summarize the discussion for a plenary session. The rationale for this process was to allow participants the benefit of working group sessions without eliminating the important global communication desired from plenary sessions. This format has been used successfully in all subsequent INTOSAI Congresses.



XI INCOSAI

Manila, April 1983

Hosted by the Philippine Commission on Audit

In the 20 years since the Philippine Commission on Audit hosted the 11th INCOSAI in Manila, the following directions have been maintained under the leadership of six Chairmen:

- sustained training and professional development of auditors,
- standards and directions set through benchmarking and selecting best practices,
- strengthened linkages with local and international organizations, and
- professionalized public service.



Opening session of the 11th INCOSAI in Manila.

Programs already in place before 1983 have been enhanced with even broader support, since training and the development of Commission staff at all levels is a basic concern. Partnerships with academic and training institutions like the University of the Philippines, the Asian Institute of Management (AIM), and the Development Academy of the Philippines have been forged to secure professional training of Commission officials and personnel. Through networking with the National Economic Development Authority (NEDA), the agency in charge of foreign scholarships, the Commission ensured access of middle managers to post-graduate studies in business and public administration offered by foreign institutions.

Further studies, practical exposure, and development opportunities in government accounting, auditing, information and communication technology, and other financial management concerns were made available through its international linkages with INTOSAI, ASOSAI, the United Nations Development Program (UNDP), the Canadian Comprehensive Auditing Foundation Fellowship Programme (CCAF), the Canadian International Development Agency (CIDA), the Australian Agency for International Development (Aus AID), the Japan International Cooperation Agency (JICA), the New Zealand Bilateral Technical Assistance Program, the Netherlands Fellowship Program, the Colombo Plan of India, and the Malaysian Technical Cooperation Program.



Strengthened linkages with international bodies also paved the way for the Commission Chairman's election as a member of the United Nations Board of Audits, thus giving the auditors wider exposure to international activities.

Greater efforts were likewise made in studies and research to produce manuals of audit procedures and processes to enable the auditors to keep abreast of the developments in accounting and auditing in other countries.

The Commission's efforts to continuously improve public audit service were demonstrated through such projects as the "Policy Review and Professionalization of Audit Services Through Training and Research" financed by CIDA and the ongoing project "Enhancing the Public Accountability of the Philippine Commission on Audit" financed by the UNDP and Aus Aid. The results of these studies are being used as guides in planning Commission activities to achieve the goal of quality public audit service.



XII INCOSAI

Sydney, April 1986

Hosted by the Australian National Audit Office



A discussion group with delegates from Australia and Tonga at the 12th INCOSAI.

The Australian National Audit Office (ANAO) was privileged to host the 12th INCOSAI in Sydney, April 7-16, 1986. At that time, the ANAO was known as the Australian Audit Office (AAO). The Congress was opened by the then Governor-General of Australia, the Right Honorable Sir Ninian Stephen, and attended by delegations from some 100 countries, including a delegation representing the United Nations.

In addition to attending plenary sessions, the delegates spent 3 days working in discussion groups, report drafting sessions, and theme officer meetings. AAO staff acting as technical liaison officers facilitated these activities. The draft reports produced by these sessions were distilled into a document entitled "General Statement on Performance Audit, Audit of Public Enterprises, and Audit Quality." Each SAI was given a copy of the document in its preferred working language to distribute in its home country immediately following the Congress.

A significant outcome from the 12th INCOSAI was the emergence of performance auditing as a legitimate extension of the public sector audit mandate, moving beyond the assurance function associated with compliance and financial statement audits to focus on improving public sector administration. Another important outcome was the establishment of the INTOSAI Development Initiative (IDI). IDI's existence has provided increased training opportunities for government auditors in developing countries, and IDI has helped to secure funding contributions from national and international agencies for this purpose. It has been an undoubted success in these regards.

Some 70 AAO staff assisted with arranging the INCOSAI, giving them valuable opportunities to meet their colleagues from overseas offices and exchange information and ideas in both a professional and cultural context. As the then Auditor-General, Mr. J.V. Monaghan, said at the INCOSAI opening ceremony, "I am confident that our deliberations will be of value to all members, whatever the stage of development of their countries."

This theme continues to characterize the activities of INTOSAI, many of which the ANAO has had the privilege to participate in. As a long-standing member (and one-time chair) of the INTOSAI Auditing Standards Committee, the ANAO has been



able to contribute to a number of valuable exchanges with other members, including the concept of auditor independence as a means of providing credible information to Parliament. We have also been fortunate to be active members of the INTOSAI Working Group on Privatization and the Communications Working Party. These experiences have demonstrated the significant benefits that the ANAO obtains from membership in INTOSAI and involvement in its many activities. These benefits include both the personal development of its people and improvements in the quality of its work based on observed better practice.

INTOSAI also contributes to better auditing practices and outcomes worldwide and an increase in ethical behavior, for example, in the fight against fraud and corruption and the promotion of good corporate governance. INTOSAI has also contributed to the greater effectiveness of control environments, including sound risk management, and to performance management and assessment of results.



At the opening ceremony in Sydney, Sir Ninian Stephen, Governor-General of Australia (left), and Dr. Tassilo Broesigke, Secretary General of INTOSAI (right), enjoyed a conversation.

The ANAO holds its membership in INTOSAI in high esteem and is proud to be affiliated with an organization that is recognized as an international leader in public sector auditing. The development of our people and the quality of our work have been significantly enhanced by the motto of INTOSAI, “Mutual Experience Benefits All.”

XIII INCOSAI

Berlin, June 1989

Hosted by the German Federal Court of Audit

The 13th INCOSAI, held in Berlin, June 12-21, 1989, has had a profound influence lasting to the present day on the Congress host, the German Federal Court of Audit (Bundesrechnungshof). The Court has been able to implement recommendations made at the Congress and continues to consider them to be valuable guidance. The recommendations relate to the three Congress themes.



Theme officers discuss management in government auditing at the 13th INCOSAI.

In response to the recommendations related to the theme of management in government auditing, the Court has adopted a two-tier organization divided into the audit divisions on one hand and the presidential division on the other. The latter discharges general administrative and support functions under the direct control of the President. Staff are assigned to the audit divisions following a systematic and transparent procedure based on consistent criteria and taking into account the annual allocation of audit tasks and annual and longer range audit planning. This allocation of human resources is regularly reviewed and revised, as appropriate, even during the

current financial year. Audit planning and implementation are supported by an electronic audit planning information system known under the German acronym of APIS, which provides essential information to plan resource allocation. Additional information relevant to manage audit operations is gathered under a pilot project that records the amount of time and expenditure for individual audit activities. These tools serve as a means for targeted monitoring and control to ensure the efficient and effective use of the budget funds made available for the Court's mission performance. There is also an internal audit unit to ensure that potentially adverse developments can be identified and addressed at an early stage.

The farsighted recommendations made in connection with the second Congress theme, auditing the public debt, have gained considerably in importance in the intervening years, especially in Germany. The Court has followed the recommendations to the extent possible in the German context. For years, the Court has drawn Parliament's attention to the soaring public debt, highlighting the budgetary and financial impact of growing public indebtedness, and has called for a consolidation of the federal budget. In addition, the Court has faced the challenge of the steady and rapid growth of the federal debt through its special audit unit on Federal Debt and Public Finance. This audit team is composed of economists and banking experts familiar with the world of portfolio management, swaps, other financial market products, and debt instruments. Also, the Court has contributed to the establishment of a parliamentary panel that considers issues of federal government borrowing. This shows recognition of the growing need for transparency as well as direct and timely

information. The federal Ministry of Finance informs the panel about all issues of federal debt management, and representatives of the Court play an active role in the panel's work.

Finally, the recommendations made on the third Congress theme, computer auditing, have proven to be invaluable. Since the mid-1980s the Court has audited information technology (IT) systems in the public sector. To perform this work successfully, it is imperative to have highly qualified specialists whose workplaces are equipped with state-of-the-art information and communications technology. Together with the audit institutions of the 16 states of the Federal Republic of Germany, the Court has defined minimum standards for IT use in public administration and has updated them on an ongoing basis. Additional guidance and recommendations on IT systems and operations have been issued to government departments and agencies. In relation to IT procedures connected with payments from the federal budget, federal departments and agencies are required to give auditors access, by means of standard interfaces, to processed and stored data. For example, since the mid-1990s, the Court has had permanent online access to the complete accounting data generated by the centralized financial management system the Federal Ministry of Finance runs for all federal departments and agencies. The Court is able to retrieve accounting and other relevant data from that vast system in a structured way, which helps with planning and carrying out its audit work. To obtain information relevant for auditing, the raw data thus retrieved are consolidated using standard communications software and high-performance audit software.

For some years now, the Court has also increasingly obtained additional information from databases of federal departments and agencies connected through the use of Web technologies. Since the late 1990s, this method of gathering data has been extended to virtually all web-related databases of federal departments and agencies and has yielded the following benefits:

- reducing the input needed to carry out audit assignments,
- increasing the volume of auditee data available as audit evidence, and
- enhancing the reliability and significance of audit findings and conclusions

The Court's interest in effective IT support for its audits and in audits of IT use in government departments and agencies will continue unabated and, in fact, will undoubtedly increase in the years to come.



XIV INCOSAI

Washington, October 1992

Hosted by the U.S. Government Accountability Office



Opening ceremony of the 14th INCOSAI in Washington, D.C.

The U.S. Government Accountability Office (GAO) hosted the 14th INCOSAI in Washington, D.C., October 18-23, 1992. This Congress demonstrated INTOSAI's motto, "Mutual Experience Benefits All," in action as more than 400 delegates and observers from 120 member nations and 10 international organizations actively participated in over 75 discussion groups, workshops, committee meetings, and plenary sessions. The Congress themes were auditing in a changing environment: the evolving role of the SAIs and improving governmental financial management through INTOSAI's standing committees.

The full participation of so many members at the Congress and, equally important, during the 3 years since the Berlin Congress in 1989 resulted in a number of significant achievements for

INTOSAI. By the conclusion of the Congress, delegates had unanimously and by acclamation adopted the following:

- standards and guidelines for auditing and internal control and the work of INTOSAI's three other standing committees on accounting, public debt, and EDP;
- a protocol of operating procedures for future committee work;
- revised INTOSAI Statutes; and
- the Washington Accords containing results and recommendations on Congress themes.

The Congress and the Governing Board acted quickly on these achievements. Seven new Board members were elected by the Congress under provisions of the newly adopted Statutes, thus making the Board more representative of the various systems of auditing as well as INTOSAI's seven regional working groups. At the 37th meeting of the Governing Board immediately following the Congress, three new committees/study groups (on privatization, program evaluation, and environmental auditing) were created in response to recommendations contained in the Washington Accords.

The 14th INCOSAI introduced a number of new features in Congress format and design. The official Congress program was successfully concluded in one week and was followed by a practical 3-day symposium on technology, which provided an additional exchange of views and information. In addition, INTOSAI's standing



committees were fully integrated into the work of the Congress in theme 2, thus giving all delegates the opportunity to participate in the committees' work and help chart their future directions. Further, the themes at the 14th INCOSAI combined topics previously discussed at other international and regional conferences with new topics of interest to member SAIs. A special feature of the event was an optional visit to U.S. Government Accountability Office regional offices located in gateway cities. These new features carried on a tradition of innovation from previous Congresses. The 1977 Congress in Lima, for example, introduced reports from the INTOSAI regional working groups, and the Congress held 6 years later in Manila was organized around workshop sessions.

The 14th INCOSAI also had an impact on GAO itself. Over 300 GAO staff assisted with arrangements for the Congress. This opportunity to interact with colleagues from around the world gave them a broader understanding of the international context of government auditing and helped to lay the groundwork for establishing mutually beneficial relationships at both the personal and institutional levels.

The Honorable Charles A. Bowsher, then Comptroller General of the United States and the Congress chairman, noted that the outstanding cooperation and communication among SAIs throughout the world before and during the Congress had helped to pave the way for the 14th INCOSAI's accomplishments. He also noted that these accomplishments would be incomplete unless they were used as a foundation on which to build more successes:

“Having approved new Statutes, we must use them to bring additional vitality to our organization. Having adopted standards and guidelines for auditing and internal control, we now face the challenge of helping members implement them. And having created three new groups to study environmental auditing, privatization, and program evaluation, we now look to them to provide guidance and assistance on these important subjects.”

In the years since the 14th Congress, INTOSAI has indeed taken up these challenges. Through cooperation, communication, continuity, and the involvement of all SAIs, INTOSAI has been strengthened and individual SAIs have contributed to the broader goal of improving government worldwide.



XV INCOSAI

Cairo, September-October 1995

Hosted by the Central Auditing Organization of Egypt



Mr. Abbas, President of Egypt's Central Auditing Organization, welcomes delegates to the 15th INCOSAI.

The Central Auditing Organization (CAO) hosted the 15th INCOSAI in Cairo, Egypt, September 24-October 2, 1995. The 543 delegates and observers representing the SAIs of 125 countries and 16 international organizations constituted one of the largest gatherings in INTOSAI history.

Hosting the 15th INCOSAI enhanced the CAO's status in Egypt, a cradle of civilization where the ancient Egyptians exercised audit and control thousands of years ago and a country with a long tradition of tolerance and peace.

The 15th INCOSAI tackled two themes: environmental auditing and improving governmental financial management through INTOSAI's standing committees. A unique feature of the first theme was that it included, for the first time in the history of INTOSAI Congresses, two expert keynote speakers on different aspects of environmental issues: Dr. Atef Ebeid, then the Minister of the Public Business Sector and State for Environmental Affairs and now Egypt's Premier, and Dr. Moustafa Tolba, former Executive Director of the United Nations Environmental Programme (UNEP).

As established at the Manila Congress in 1983 and used successfully in subsequent Congresses, the 15th INCOSAI was organized so that participants could discuss the two major themes and sub-themes in small, concurrent discussion sessions. An innovation introduced in Cairo was that all concurrent sessions were available to delegates in INTOSAI's five official languages. The results of the discussions were then summarized by subtheme officers and discussed further in plenary sessions devoted to each theme and adopted as official recommendations in the Cairo Statement, which was unanimously adopted by the Congress.

Following the Congress, about 160 delegates representing 76 SAIs remained to participate in a 3-day symposium on privatization. The symposium was chaired by the CAO President and organized by INTOSAI's Working Group on Privatization and the Egyptian SAI. It addressed four important themes in the domain of privatization and the experiences and expertise of countries such as Brazil, Ghana, Chile, Lithuania, the Czech Republic, Argentina, and Poland. The symposium provided another opportunity for SAIs to exchange information, explore issues, and discuss experiences.

The Cairo Declaration issued by the 15th INCOSAI summarized issues, conclusions, and recommendations related to the Congress themes. The most important matters concerning environmental auditing were as follows.



1. It provided an overall framework for environmental auditing, including financial, compliance, and performance audits and encompassing the concept of sustainable development as part of government policy and programs subject to audit.
2. It urged SAIs to expand their legislative mandate to include the whole scope of environmental auditing and to create environmental awareness in governmental auditees who cooperate in the domain of auditing the compliance of the SAIs' respective countries with international environmental agreements.
3. It urged the INTOSAI Working Group on Environmental Auditing to continue to serve SAIs in the field of environmental auditing by gathering information, issuing pertinent guidelines and methodologies, and promoting training and information exchange with a view to providing the skills and experience necessary to conduct environmental audits efficiently and objectively.

Since the Congress, the CAO has continued to pay serious attention to environmental issues in its audits and reports. It has prepared reports on important environmental issues such as the status of potable water. The impact of the CAO's findings and recommendations can be seen in the audited entities' increased awareness of environmental issues in their activities and greater adherence to environmental standards.

The experience acquired from hosting the 15th INCOSAI enabled the CAO to hold the 6th ARABOSAI General Assembly, September 29-October 4, 1998, as well as many scientific meetings and training courses in the CAO headquarters in Cairo. The CAO has also chaired the executive councils of these organizations and organized and participated in many of their assemblies and committees. This, in turn, has resulted in developing the skills and increasing the expertise of CAO members.

In addition, as a result of a decision made by the ARABOSAI Executive Council in its 26th meeting in Kuwait in March 1999, the CAO was named to chair the ARABOSAI Regional Sub-committee for Environmental Audit Affairs. The sub-committee's role is to focus SAI concerns on environmental issues and help the SAIs acquire the skills necessary for promoting environmental audit. The CAO also represents ARABOSAI on the Steering Committee of the INTOSAI Working Group on Environmental Auditing. It has participated with Cameroon and South Africa in establishing the AFROSAI Regional Committee for Environmental Auditing. All these roles and activities that the CAO has undertaken can be considered some of the consequences of hosting the 15th INCOSAI and have led to its contributions to the field of environmental auditing at the national, regional, and international levels.



XVI INCOSAI

Montevideo, November 1998

Hosted by the Court of Audit of Uruguay



Dr. José María Sanguinetti, President of the Republic of Uruguay, formally inaugurates the 16th INCOSAI.

In addition to hosting the 16th INCOSAI in 1998, the Court of Audit of Uruguay was an active participant in the INTOSAI Congresses held in Washington, D.C., in 1992; in Cairo, Egypt, in 1995; in Seoul, South Korea, in 2001; and also in the 2003 Governing Board in Budapest, Hungary. This has provided the experience and perspective needed to answer the INTOSAI Secretary General's kind invitation to express our opinion regarding the importance of these international events.

The planning, organization, and execution of an INTOSAI Congress constitute important challenges for the hosting SAI, even more so when the country does not have at its disposal abundant human and material resources. But the advantages acquired by being the host country of such an event far exceed the efforts involved. In the particular case of the 16th INCOSAI in Montevideo, Uruguay, November 9-14, 1998, these advantages became evident even before the Congress took place as a consequence of the cooperation and support received from other SAIs, mainly the Court of Audit of Austria, the INTOSAI General Secretariat, and the U.S. Government Accountability Office.

The 16th Congress was a test for our SAI, which had to organize the event without abandoning its usual obligations. The achievement bolstered the self-esteem of our public employees.

In addition, the employees were able to exchange information with colleagues from many countries, enabling them to broaden their knowledge and to establish long-term relationships that had a very positive effect upon their operational and personal performance in a world that is increasingly more dynamic and interconnected.

The exchange of experiences prompted by the Congress and the beneficial consequences for our staff capabilities are also positive factors worth underscoring.

An additional advantage arises from the statutory norms, which mandate that the SAI organizing a Congress also take part in the INTOSAI Governing Board for a period of 12 years. During that time, more direct and close contacts can be established with the responsible members of government auditing institutions, and these are excellent reference points for our professional activity. The country is given an opportunity to participate in managing important matters that are the core of our activity in this international organization.

In view of the above, the INTOSAI Congresses will continue to afford—as they have during the past 50 years—unique opportunities that enable the hosting SAI to not only test its execution capacities, but also obtain excellent results that directly contribute to improving management.



XVII INCOSAI

Seoul, October 2001

Hosted by the Board of Audit and Inspection of Korea

The 17th INCOSAI truly demonstrated INTOSAI's motto, "Mutual Experience Benefits All," in action, as a record-setting 471 participants from 152 SAIs and international institutions gathered in Seoul from October 20-27, 2001. The full

participation of so many delegates in the wake of the tragic events of September 11 of that year was the most eloquent evidence of INTOSAI members' commitment to success. The host of this Congress, the Board of Audit and Inspection (BAI) of Korea, under the chairmanship of Dr. Jong-Nam Lee, also dedicated itself to meeting its commitment to Congress preparations.

Two important and timely subjects were discussed at the Congress: (1) the audit of international and supranational institutions by SAIs and (2) the contri-

butions of SAIs to administrative and government reform. The delegates emphasized that SAIs have a vested interest in good governance, accountability, and transparency in international institutions, thus contributing to their efficiency, effectiveness, and economy. They also noted that SAIs need to consider how their independent audit mandates provide a foundation for expanding and evolving the roles they assume during the planning and implementation of administrative and government reforms. To make the most of the given mandates, all the Congress participants recognized the importance of the knowledge, skills, and abilities of SAI staff and discussed how they could best acquire and develop them. They also agreed that the great challenge of our times was successfully adapting to the new environment.

The Seoul Accords were unanimously approved at the closing plenary session as the final Congress product containing the conclusions and recommendations from the discussions of the two Congress themes. The Seoul Accords again demonstrated that INTOSAI members are ready to prepare themselves for future challenges. It was agreed to establish an ad hoc working group, with a time-restricted mandate extending to the next Congress, to elaborate on and propose supplementary guidance on SAI audits of international institutions.

As INTOSAI approached its 50th anniversary in 2003 and in the midst of global changes not seen in the last century, INTOSAI needed a plan to help SAIs better



Delegates to the 17th INCOSAI in Seoul.

respond to future challenges. Against this backdrop, the INTOSAI Strategic Planning Task Force was established to develop a strategic planning framework that can guide INTOSAI in the 21st century. The Congress made it clear that the strategic planning framework would revitalize and reinvigorate INTOSAI and help it meet commitments to its members.

Recognizing the conclusions and recommendations adopted at the 16th INCOSAI in Montevideo in 1998 on the role of SAIs in preventing and detecting fraud and corruption, it was agreed to establish an ad hoc task force to examine the institutional arrangements for combating international money laundering and the effectiveness of the countermeasures employed.

In addition, when the 17th Congress concluded on October 27, 2001, delegates adopted a variety of standards, guidelines, and methodologies for use by auditors; approved 3-year work plans for INTOSAI's committees and working groups; and revised its Statutes to increase the size of the Governing Board to 18 members.

As the host of this Congress, the BAI took advantage of the opportunities offered by information technology, a symbol of the new economy, to organize and carry out the first Congress in the new millennium. In February 2000, the BAI established, for the first time in INCOSAI history, an official Web site for the 17th Congress (www.koreasai.go.kr) in the five INTOSAI working languages. The Web site featured online registration, delivery of information through the Internet, and electronic documents, which significantly enhanced convenience and efficiency for the participants as well as the organizer. The adoption and wide utilization of information technology observed at the 17th INCOSAI in Seoul will become a model for future Congresses.



Chairman Jong-Nam Lee of the Board of Audit and Inspection of Korea calls a meeting to order at the Seoul Congress.

INTOSAI Regional Working Groups





AFROSAI

African Organization of Supreme Audit Institutions



Participants in the 1997 Strategic Planning Workshop for AFROSAI/ Francophone SAIs in Cameroon.

AFROSAI was created in November 1976 after the Constitutive Congress and followed by the first General Assembly in Yaoundé, Cameroon. The seat of AFROSAI is in Lomé, Togo, the Permanent Secretariat of the organization.

AFROSAI's chief objective is to promote and develop the exchange of ideas and experience among the SAIs of the

African states in the field of the audit of public finances by

- implementing systematic studies concerning the audit of public finances,
- organizing training courses for personnel charged with carrying out auditing tasks, and
- collaborating with INTOSAI, its regional groups, and other organizations and institutions specialized in the audit of public finances.

Membership in AFROSAI is open to SAIs of all member countries of the Organization of African Unity, which has now become the African Union. At present, 50 countries are members of AFROSAI.

The principal components of AFROSAI are the General Assembly, Governing Board, Permanent Secretariat, technical committees, and sub-regional groupings. All member institutions belong to the General Assembly, the organization's primary component.

Since 1976, AFROSAI has held nine general assemblies, once every 3 years, in the following countries: Cameroon (twice), Ghana, Sudan, Ivory Coast, Egypt, Gambia, Burkina Faso, and Libya. The 10th General Assembly will be held in 2005 in Ivory Coast.

Since 1991, AFROSAI has published a journal entitled the *African Journal on Comprehensive Auditing* (Journal African pour la Vérification Intégrée) in the organization's three official languages (French, English, and Arabic).

AFROSAI has established two technical committees that work closely with the Governing Board: the Training and Research Committee and the Editing Committee for the previously mentioned *Journal*.

To permit closer cooperation between SAIs, AFROSAI incorporates sub-regional groups organized by its three linguistic groupings (French, English, and Arabic).

The AFROSAI Award was created by the 5th General Assembly and is granted to those SAIs that have implemented important work in the field of auditing and have made effective contributions to the activities of the organization. This award has been granted to the SAIs of Egypt (1977), Cameroon (1999), and Ghana (2002). The 5th General Assembly also recommended that regular competitions and awards be organized to promote research within AFROSAI. Two competitions were organized in 1977 and 1999, respectively.

At the initiative of IDI, three regional training committees have been created within AFROSAI, each having financial independence and charged with carrying out training activities addressing the organization's three language groups. The regional training committees are being supported by countries that have offered to sponsor them: the Netherlands for English-speaking countries and Canada for French-speaking countries.

Overall, AFROSAI has been able to function effectively thanks to the spirit of solidarity and sacrifice shown by its members in the supreme interest of our continent. Within the organization, the AFROSAI award and the regular award contests stimulate competition, and the AFROSAI *Journal* aims to be a major tool for the exchange of ideas and experience. AFROSAI is also cognizant and appreciative of the countries providing financial contributions to develop training within the organization.

ARABOSAI

Arab Organization of Supreme Audit Institutions

Delegates from Qatar, Iraq, and Sudan at the 2001 ARABOSAI Assembly in Morocco.



The Arab Organization of Supreme Audit Institutions (ARABOSAI) was created in 1976 during the constitutive meeting of the presidents of these institutions held in Cairo, Egypt.

Its objectives are to

- organize and develop all forms of cooperation between member institutions and strengthen their mutual relations;
- encourage exchanges of ideas, viewpoints, experiences, studies, and research among the member institutions in the field of auditing and work to promote auditing in both scientific and practical terms;
- provide the assistance necessary to Arab countries wishing to create supreme audit institutions or to further develop their existing institutions;
- work toward unifying scientific auditing terminology used in the member institutions;
- work toward raising awareness within the Arab nations of the importance of auditing in order to strengthen the role of the institutions in carrying out their mission;
- organize and strengthen cooperation between the organization and the institutions and specialized organizations of the League of Arab States, INTOSAI, and other organizations—both international and regional—whose activities relate to auditing; and
- take steps so that the organization is charged with naming the institutions that audit the accounts of the League of Arab States and other organizations and societies attached to it, whether they are financed directly by the League or by the Arab States, and work towards promoting financial control and auditing within these organizations.

The members of the organization are all the SAIs in the Arab countries who are members of the League of Arab States.

The organization has a General Assembly, an Executive Board, and the General Secretariat (currently held by the Court of Audit of the Republic of Tunisia, whose First President is Secretary General of the organization).

To date, the organization has held its Constitutive Congress in 1976 in Cairo, Egypt; its first Congress in 1977 in Cairo, Egypt; an Extraordinary Congress in 1980 in Tunis, Tunisia; its second Congress during the same year in Riyadh, Saudi Arabia, and its third Congress in Tunis, Tunisia, in 1983.

After adopting new statutes, the organization's General Assembly held its first ordinary session in 1983 in Tunis, Tunisia; its second ordinary session in Abu Dhabi, United Arab Emirates, in 1986; its third ordinary session in Khartoum, Sudan, in 1989; its fourth ordinary session in Tripoli, Libya, in 1992; its fifth ordinary session in Beirut, Lebanon, in 1995; its sixth ordinary session in Cairo, Egypt, in 1998; and its seventh ordinary session in Rabat, Morocco, in 2001.

The Presidency of ARABOSAI is currently held by the Court of Audit of the Kingdom of Morocco. The eighth General Assembly is to be held in 2004 in Amman, Jordan.

ASOSAI

Asian Organization of Supreme Audit Institutions



Heads of SAIs from India, the Philippines, and Thailand address the 9th ASOSAI Assembly in Manila in 2003.

The birth of ASOSAI can largely be credited to the efforts of the Philippine SAI under the leadership of then Chairman Francisco S. Tantuico, Jr. In 1977, he proposed to his Asian counterparts the establishment of an organization to improve the performance quality of Asian government auditors through continuing training, research, and education. Realizing the need for an Asian regional group, his colleagues in the region readily voiced their support.

After the Philippine SAI secured financial and technical support from the German Foundation for International Development (GFID), it sponsored the First Regional Seminar of Asian Auditors held in Tagaytay City, which was attended by representatives of SAIs from all over Asia (Afghanistan, Bangladesh, India, Indonesia, Korea, Malaysia, Nepal, Philippines, Singapore, Sri Lanka, and Thailand). At that seminar, the establishment of ASOSAI formed part of the agenda.

Finally, on October 4, 1979, the SAI heads of Bangladesh, India, Indonesia, Malaysia, Nepal, Thailand, Japan, and the Philippines signed a charter in Berlin formally organizing ASOSAI. Mr. Tantuico was elected the first Secretary General.

Since its inception, ASOSAI has been very faithful in fulfilling its major objective of providing opportunities for training and continuing education for government

auditors in pursuit of the goal of improving audit quality and performance. The 116 programs that have been conducted over the span of 24 years can be categorized as follows:

- 12 courses organized by ASOSAI with ASOSAI funds, usually assisted by voluntary contributions from some member SAIs;
- 11 courses organized under the aegis of the INTOSAI Development Initiative (IDI), with funding from international and regional development banks; and
- 93 programs organized by ASOSAI member countries.

The themes of these programs covered audits in many different areas, such as financial and compliance, performance and/or value-for-money, computer and/or information systems, public works, and privatization. Other training programs centered on human resource management for heads and deputies of ASOSAI, management of training programs, cost accounting in government, and budget management and budgetary/financial controls.

ASOSAI has also undertaken the publication of research papers in auditing and related fields. It has successfully completed seven research projects on the following themes:

- Accountability and control of public enterprises
- Financial accountability and management in government
- Audit of public works and projects
- Government revenues: accountability and audit
- Performance auditing guidelines
- IT audit guidelines
- Guidelines for dealing with fraud and corruption

Since its founding in 1979, ASOSAI has held nine assemblies. The SAIs of India and Indonesia each hosted two of these assemblies, while the SAIs of Korea, Japan, China, Thailand, and the Philippines hosted one each.

Starting with the 2nd assembly in 1982 hosted by the SAI of Japan, an international seminar was incorporated into the assembly. A theme was chosen and the results of

the discussions on the theme were approved and formalized into a document. The themes of the seminars were as follows:

- Statement of guidelines for the supportive role of state audit systems in national development
- Statement of guidelines on the role of supreme audit institutions in promoting public accountability
- Statement of guidelines on the role of audit in promoting reforms for efficient public administration and corporate management
- Guidelines on promoting effective management of public finance and investments
- Guidelines for promoting effective accounting and adequate internal control systems in government
- Guidelines on promoting efficient and effective public administration through performance auditing

At the 8th assembly in Chiang Mai, Thailand, the format was changed from an international seminar to a one-day symposium on a chosen theme. The keynote address and presentation of the special report on the theme were followed by a panel discussion.

The theme of the 1st symposium in Chiang Mai was the role of the SAI in promoting good national governance in the public sector. The theme of the 2nd symposium held during the 9th assembly in Manila, Philippines, in October 2003 was quality management in public audit.

CAROSAI

Caribbean Organization of Supreme Audit Institutions



The founding members of CAROSAI at its Inaugural Congress in 1988.

The Caribbean Organization of Supreme Audit Institutions (CAROSAI) is the sixth regional organization of INTOSAI. Its official and working language is English, and all countries in the Caribbean, whether independent or dependent, are eligible for membership as ordinary members or associate members. Membership of CAROSAI now stands at 21 SAIs.

The charter to establish CAROSAI was adopted and signed in 1988 in Port of Spain, Trinidad, by delegates from SAIs of seven independent countries. CAROSAI's objectives include the following:

- to promote the exchange of ideas and experiences,
- to provide opportunities for training and continuing education,
- to promote the importance of the internal audit function within the public sector,
- to serve as a center of information and regional link with the rest of the world,
- to provide technical assistance and exchange of expertise among members,
- to raise the level of audit consciousness in the Caribbean area in order to support the role of the institutions in performing their duties, and
- to promote the application of comprehensive auditing.

CAROSAI is also mandated to organize conferences and seminars for the exchange of ideas and experiences in the field of public sector auditing, and to encourage and promote research in the field of audit.

At the Inaugural Congress of CAROSAI held in 1988, the head of the SAI of Trinidad and Tobago was elected to be the Secretary General of CAROSAI and has continued in that role to the present. In addition, the Secretariat has been housed in the offices of the Auditor General of Trinidad and Tobago from its inception with the proviso that it can be located in any other member country. In 1993, CAROSAI obtained legal status in Trinidad and Tobago by an act of Parliament. However, its regional status has been preserved.

In 2003, the SAI of Trinidad and Tobago informed the CAROSAI Congress that it plans to hand over the Secretariat to another SAI. The SAI of Saint Lucia has

initiated steps with its government to take over the Secretariat after a transitional period from 2003-2006.

CAROSAI holds triennial conferences that provide the opportunity for its member institutions to share concerns, ideas, and experiences. The last CAROSAI Congress (the 6th) was held in Bermuda in August 2003. At that time, a new Executive Council chaired by Bermuda was elected. Trinidad and Tobago is the Secretary General, and the other members are the Bahamas and Saint Lucia.

Training

Training has been a priority since CAROSAI's inception. In 1991, CAROSAI approached regional funding agencies for assistance with a training program to help SAIs develop and upgrade the auditing skills of their staff. The Inter-American Development Bank (IDB) responded positively and provided technical assistance to CAROSAI through a non-reimbursable technical agreement signed by the IDB and the Caribbean Development Bank (CDB) in September 1993 and a grant agreement signed by the CDB and CAROSAI in November 1993. These two agreements brought about the CAROSAI Project for Institutional Strengthening, which was designed to upgrade the technical and managerial capabilities of member SAIs through a training program for technical and audit staff and the establishment of parameters for a program to meet the long-term educational needs of the SAIs and other public sector financial staff in CAROSAI's member countries.

The project was successfully completed in 1997, attaining all the established objectives through the execution of four training workshops and two additional workshops for all SAIs within the CAROSAI region.

The second Long Term Regional Training Program (LTRTP) was completed in the CAROSAI region during 2003 in cooperation with the INTOSAI Development Initiative (IDI) and with funding from the IDB. The program consisted of the following key activities in 2002 and 2003:

- a 6-week Course Design and Development Workshop (CDDW) held in St. Kitts,
- a 3-week Instructional Techniques Workshop (ITW) held in Saint Lucia,
- a 2-week preparation session for the Regional Audit Workshop (RAW) held in Grenada, and
- a 2-week Regional Audit Workshop (RAW) held in Trinidad.

Memorandum of Understanding

On August 12, 2003, a 3-year Memorandum of Understanding (MOU) for Multilateral Co-operation was signed between CAROSAI, the National Audit Office (NAO)

of the United Kingdom, and IDI. This MOU demonstrates the commitment of the three organizations to strengthening external public audit in the Caribbean through regional training and continuing the work begun under the LTRTPs. Through enhanced levels of professionalism and performance, audit institutions will be able to play a more effective role in improving the quality of governance and accountability in the CAROSAI region.

In particular, the participants in the MOU intend to work together through training and other capacity-building activities to help CAROSAI members strengthen and enhance

- the quality of audits, initially financial audits but also value-for-money or performance audits;
- resource management within SAIs;
- human resource management;
- relationships with clients and other stakeholders; and
- other aspects of the operations of a modern SAI, as agreed upon by the signatories.

CAROSAI believes that the signing of the MOU gives the organization a solid foundation to build on the successes of the LTRTPs to date.

Development of the Regional Institutional Strengthening Committee

Since 1997, CAROSAI has had in place a Regional Training Committee charged with the responsibility of identifying regional training needs and developing plans to address those needs. Its main focus has been implementing the LTRTP. Since that was to be completed at the end of 2003, the 6th CAROSAI Congress decided to increase the Committee's mandate to build the capacity of each SAI. Renamed the Regional Institutional Strengthening Committee (RISC), it is charged with providing effective and sustainable training and other capacity-building activities to regional SAIs. The Cayman Islands chairs the RISC, and the other members are Antigua and Barbuda, Bermuda, Dominica, Montserrat, Saint Lucia, and Turks and Caicos Islands.

Strategic Planning Workshop

A Strategic Planning Workshop chaired by Mr. Magnus Borge, Director General of IDI, was held at the 6th Congress in Bermuda in August 2003. As a result of the workshop, CAROSAI reaffirmed its commitment to the LTRTPs and the development and strengthening of training expertise within the region. The Congress felt

that the best use of future training funds would be to build on the successes of the LTRTPs and to develop additional sessions of the Regional Audit Workshop and new regional courses to meet the most pressing needs of the region. With this in mind, the Congress developed a 3-year training plan for regional courses.

Participants in the workshop agreed to the following.

- CAROSAI has three high priority training needs:
 - the use of IT in the audit process,
 - financial audit, and
 - performance audit.
- The more specialized training needs should be linked to the continuing need for more general training in financial and performance audits.
- The RISC will prepare draft Terms of Reference for the Committee and a draft Regional Training and Capacity Building Plan—complete with attached descriptions of training priorities, roles and responsibilities, and a training partnership model—to be submitted to the Executive Council for discussion and approval.

50th Anniversary of INTOSAI

CAROSAI extends sincere congratulations to its parent body INTOSAI on its 50th anniversary. It is important to note that INTOSAI was born in the Caribbean region on the island of Cuba and has grown from strength to strength throughout its 50 years.

Conclusion

Under its new Chairman and Executive Council, CAROSAI will continue to strive for sustainability and capacity building as a means to greater accountability, transparency, and good governance.

EUROSAI

European Organization of Supreme Audit Institutions



Members of the Board of Governors of EUROSAI in 1993.

EUROSAI, which was only 13 years old on the 50th anniversary of INTOSAI, is the youngest in the family of regional organizations.

EUROSAI activity started with a Constituent Congress that took place in Madrid in 1990 and became part of the general European integration process marked by the collapse of the Berlin Wall and the prospects of building a new Europe from the Atlantic to the Urals. It was guided by the fundamental principles of the Lima Declaration and experience in international cooperation gained within the framework of INTOSAI. From the first days of its existence,

EUROSAI has been active in organizing a fruitful and mutually beneficial cooperation in the field of public audit among all the countries of the previously divided Europe.

Its priority was, and remains, rendering any assistance required in establishing independent public audit bodies in those Central and Eastern Europe countries that have chosen the path of democratic reforms and transfer to the market economy.

Since EUROSAI was established, five Congresses have been held—Madrid (1990), Stockholm (1993), Prague (1996), Paris (1999), and Moscow (2002). The Congresses discussed the most important issues concerning its activity, including the evolving role of state audit; audits of privatization; SAI independence; the relationship between SAIs and the executive, legislative, and judiciary branches of power, as well as with mass media; and control over the implementation of the state budget.

In accordance with the resolutions and decisions of the Congresses, the EUROSAI Governing Board carries out the organization's priorities, which include training, environmental auditing, and using information technology. A committee and two working groups have been set up to coordinate SAI work in these areas.

The EUROSAI training committee, co-chaired by the SAIs of France and Spain, prepares draft training programs for the Governing Board and coordinates their implementation after they are adopted. Recent EUROSAI training events were held in Poland (2001) on the use of information technology, in Hungary (2002) on performance audit, and in the Czech Republic (2003) on internal audit assessment. In addition, a Long Term Training Program is being implemented in cooperation with the INTOSAI Development Initiative.

The SAI of Poland has chaired a working group on environmental auditing within the EUROSAI framework since 1999. A number of joint multilateral audits have been taken under the guidance of the group, including an assessment of the implementation of the Helsinki Convention as well as bilateral and multilateral agreements on eliminating pollution of the air, rivers, and oceans.

A resolution of the 5th EUROSAI Congress in 2002 established a working group on information technology chaired by the Netherlands SAI. This working group plans and conducts joint actions aimed at European SAIs' research of the strategic consequences of IT-related developments.

Cooperation with the European Organization of Regional Audit Institutions (EURORAI) is a promising area for EUROSAI activities. It includes such important issues as coordination of audit activity between national, regional, and local audit institutions and interactions in areas of common interest. Those issues were discussed at the EUROSAI and EURORAI joint conferences in Portugal (2001) and Denmark (2003).

Cooperation between EUROSAI and OLACEFS has also been set up and is being developed. The first joint conference took place in Spain in 2000, the second in Colombia in 2002, and the third in the United Kingdom in May 2004.

The Spanish SAI performs the EUROSAI Secretariat's duties. It does extensive and fruitful work to support EUROSAI's activities, Governing Board, committees, and working groups; it also handles budget implementation. The Secretariat publishes an annual journal and a quarterly bulletin. It also establishes and updates a database on statutes and publications of its constituent SAI members.

OLACEFS

Organization of Latin American and Caribbean Supreme Audit Institutions



Delegates to the 2003 OLACEFS Assembly in Havana, 50 years after the 1st INCOSAI was held in that city.

OLACEFS has a rich history that dates back to 1953. Since that date, it has structured itself as an international organization, and an overall view of its mission reveals that it has taken a path of continuous growth that enables it to realistically project the gradual achievement of its established objectives.

The 3rd INCOSAI held in Brazil in 1959 recommended the creation of regional groups on the five continents. During the 1st Latin American Congress of Supreme Audit Institutions (I CLADEFS) held in Caracas, Venezuela, in 1963, it was suggested that a Latin American Institute of Audit Control be created to carry out specialized investigation functions and serve as a center for information, teaching, coordination, and mutual advice among the audit entities. This proposal was implemented on April 9, 1965, within the framework of the II CLADEFS held in Chile when the creation of the Latin American Institute of Auditing Sciences (ILACIF) was approved.

The SAIs of Venezuela (1965-1972), Peru (1973-1975), Ecuador (1976-1978), Colombia (1979-1985), and Peru (1986-1990) were designated as the headquarters of ILACIF. When its charter was modified in 1986, its name was changed to the Latin American and Caribbean Institute of Auditing Sciences.

On October 11, 1990, in Buenos Aires, Argentina, an Extraordinary General Assembly agreed that the institution should again change its name to the current title, Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS). The term “organization” was deemed more appropriate for an entity that assembles the highest level public officials in control and auditing matters; it also relates better to the definition of INTOSAI’s regional groups.

In accordance with the statutes of the organization, the SAI of Mexico was the seat of OLACEFS for a 6-year period, from 1991 through 1996. The SAI of the Republic of Peru was elected for the period 1997-2002.

In August 2001, modifications to the Constitutional Charter and the Regulations of OLACEFS were introduced and approved during the 11th General Assembly of OLACEFS in Panama. These modifications express in concrete terms the desire to have a more participatory and decentralized institution based on two important principles: the democratization and the decentralization of activities. In this way, all active members would have better access to the organization’s operations, the offices of the Presidency and the Executive Secretariat would be exercised separately, and

the committees and the commissions would be adapted to the new organizational model. The conceptual vision is that of an organization promoting the participation of different SAIs in its own development and improvement.

During the 12th OLACEFS General Assembly held in Mexico in September 2002, the SAI of the Republic of Panama was appointed to assume the Executive Secretariat of OLACEFS for 2003-2008, and the SAI of the Bolivarian Republic of Venezuela was appointed to the Presidency for 2003 and 2004.

From 1965 until 1993, 10 triennial International Congresses of Supreme Audit Institutions (CLADEFS) were held. From 1991 until 2003, 13 annual General Assemblies were held.

The Strategic Plan of OLACEFS refers to the consolidation of institutional position and international leadership capacity. OLACEFS states its mission in terms of unity within the diversity of the member SAIs, and its mission recognizes this commitment.

OLACEFS is an international, autonomous, independent, apolitical, and permanent organization dedicated to specialized scientific investigation and the development of study, training, specialization, technical advice and assistance, training, and coordination for the Supreme Audit Institutions of Latin America and the Caribbean.

The organs of the Organization are the General Assembly, Management Board, Presidency, Executive Secretariat, commissions, and committees. The President presides over the Management Board and the General Assembly for 2 years. The Executive Secretariat is the title of the SAI elected to manage the central office of OLACEFS. It is a member of the Management Board and carries out these tasks for a period of 6 years, with the possibility of its mandate being extended for an additional 4 years. The Management Board is composed of six members.

Currently, two committees have been constituted: the Special Review Committee for the Constitutional Charter and its Regulations and the Regional Training Committee. In addition, there are four commissions: the Special Technical Commission on Ethics, Administrative Integrity, and Transparency (CEPAT); the Special Technical Commission for Audit Entity Performance and Performance Indicators (CEDEIR); the INTOSAI-OLACEFS Special Technical Commission for the Environment (COMTEMA); and the Information Technology Commission.

For the last four decades, the Supreme Audit Institutions of the Latin American and Caribbean countries have been making their best efforts to continue promoting the spirit of OLACEFS in accordance with modern times, with the firm aim of strengthening institutional relationships with the member states of other INTOSAI regional groups.

SPASAI

South Pacific Association of Supreme Audit Institutions



SPASAI/IDI seminar on human resources management held in Fiji in 1989.

The objective of SPASAI, one of the seven regional working groups of INTOSAI, is to “encourage, promote and advance co-operation among members in the field of Public Audit.”¹

While SPASAI was formally accepted as a member of INTOSAI in 1987, the first meeting of auditors-general and other senior staff from Pacific Island audit offices was held in Fiji in 1973. SPASAI’s membership currently consists of the Office of the Auditor-General (or its equivalent) from 22 countries and states in the Pacific region.

Over the past few years, SPASAI’s main goal has been to successfully implement its Regional Institutional Strengthening Plan.

The plan has five goals:

- helping audit offices meet their training and related needs;
- providing a means for sharing training information, methodologies, and technology in the region;

¹From SPASAI’s Constitution, which is available at www.oag.govt.nz.

- ensuring the ongoing relevance of training and related activities;
- securing the necessary resources for plan implementation; and
- promoting best practices and methodology and strengthening audit offices' organizational structures.

The plan's specific goals are implemented by the Regional Institutional Strengthening Committee (RISC), which identifies the training and other institutional strengthening needs of the region. RISC is a subcommittee of SPASAI and its membership currently consists of the Auditor-General (or equivalent) of the Cook Islands, Fiji, Kiribati, New Zealand, Palau, and Papua New Guinea.

As a result of the plan, a number of training workshops have been held. The workshops have covered areas such as financial auditing, performance (value-for-money) auditing, instructional techniques, and course design and development. In addition to facilitating the training of a large number of staff within SPASAI in these areas, the plan has also helped equip workshop attendees with the skills to transfer this knowledge to their colleagues.

The documentation produced by workshop attendees—as well as documentation modified from other INTOSAI regional working groups—has provided valuable resource material for a number of SPASAI members.

Workshop attendees have used their skills to not only develop the competencies of colleagues at both office and regional levels, but also train staff in the broader public sector in their own countries. These activities will help strengthen both the audit functions and the public sector in the SPASAI region.

SPASAI currently holds a Congress once every 2 years. The first Congress was held in 1988 in Vanuatu. Since then they have been held in Kiribati (1991), Tuvalu (1994), the Federated States of Micronesia (1996), Fiji (1998), Sydney (2000), the Cook Islands (2002) and Samoa (2004).

SPASAI has also recently introduced the *SPASAI Bulletin* in the Pacific region. The *Bulletin* is coordinated by the Office of the Auditor-General of Fiji and provides member offices with updates on issues of interest, recent developments affecting audit offices, emerging matters, and other newsworthy items.

At the last meeting of RISC held in Nadi, Fiji, in April 2003, the Committee resolved to undertake training in areas identified by a regional training needs analysis in 2002. The training topics identified include forensic, public debt, environmental, and information technology auditing. It was also resolved to look at introducing peer review in the region.

The ongoing support of the Asian Development Bank and the INTOSAI Development Initiative to the region is gratefully acknowledged, as well as the support of those SPASAI members who provide trainers and host workshops.



Proceedings of INTOSAI's 50th Anniversary Celebration

Technical Session





Opening Remarks

Dr. Ock-Sup Noh, Chairman of the Governing Board of INTOSAI

This year marks the 50th anniversary of INTOSAI. It is an honor and great privilege to open the anniversary celebration of INTOSAI's Golden Jubilee. When INTOSAI was created in Havana in 1953, it numbered only 34 SAIs among its members. INTOSAI has since grown to its current membership of 185 SAIs.

INTOSAI's growth and development has been remarkable in other ways. It has always been the center of knowledge, information, and experience for the international audit community. It is widely recognized that we have produced a significant body of knowledge on the most important basics of government audit, such as audit, accounting, and internal control standards. With our commitment to better government, we have a tradition of pioneering in areas that were not considered important in the past. We have ample reason to be proud of our groundbreaking work to promote professionalism in public debt management, IT audit, privatization, program evaluation, environmental auditing, audits of international institutions, and combating international money laundering. All these successful achievements not only demonstrate that we have realized the meaning of our motto—"Mutual Experience Benefits All"—but also emphasize the underlying need for continuing cooperation both inside and outside of INTOSAI.

On this happy occasion of the 50th anniversary of INTOSAI, it is both meaningful and timely that we convene here in Budapest to look back upon the successful history of INTOSAI and to look forward to a better INTOSAI in the future. I trust that the wisdom and keen insight of today's speakers will show us the way we can build on our strengths in the years to come. The SAI's role in helping government achieve accountability and performance has become increasingly important. And I am sure that the concerted efforts of the international audit community will continue to help government auditors meet the rising expectations of their own governments and people, as they have done to date.

It is a great pleasure to have three distinguished speakers for today's technical session, and I am honored to introduce them: Dr. Franz Fielder, Secretary General of INTOSAI and President of the Austrian Court of Audit; Dr. Attila Chikán, Rector of Budapest University of Economic Sciences and Public Administration; and Dr. Arturo González de Aragón, Auditor General of Mexico.

Dr. Fielder, who is recognized as an influential advocate for the independence of SAIs and INTOSAI, has served as the Secretary General of INTOSAI for more than 10 years. The international audit community owes very much to Dr. Fiedler, who has been a key figure in the development of INTOSAI. He is the right person to guide us

to a thorough understanding and lucid interpretation of the concept of the independence of supreme audit institutions. Simply put by Dr. Fiedler, independence is the credo of government auditors. Being independent, we will be able to add real value to our work by helping our governments be accountable, transparent, and reliable.

Dr. Chikán, former Minister of Economic Affairs of Hungary, is a world-renowned scholar and practitioner in a variety of areas of economics and business administration. He gives us his insightful interpretation of the Lima Declaration, which was adopted in 1977 and has since been considered the Magna Carta of government auditing. Dr. Chikán rightly asserts that the guiding principles of government auditing set forth in the Lima Declaration are still perfectly effective in the light of globalization and integration in our time. Further, he forcefully enlightens us on the role INTOSAI should play in the global economy. Dr. Chikán's insightful and informative explanations will give us a light to guide us in coping with the challenges INTOSAI faces in the 21st century.

Dr. González de Aragón, a renowned certified public accountant (CPA) with extensive experience in planning and budget, held a high office in the government of Mexico City and was chairman of a CPA firm before he was elected the Auditor General of Mexico in 2002. Since INTOSAI's inception in 1953, it has been very successful in accomplishing its mission of facilitating the exchange of information and capacity building among its membership. In addition to this primary mission, however, INTOSAI has, in recent years, begun to benefit its member SAIs through a wider range of activities. I understand that some SAIs have already conducted peer reviews and concurrent or joint audits within the framework of INTOSAI. I am confident that more SAIs will follow suit in the near future and that INTOSAI will endeavor to foster an environment where peer reviews produce their intended benefits. As envisaged by Dr. González de Aragón, INTOSAI will produce greater and more varied benefits for the international audit community in the future. In the end, however, our concerted efforts and commitment to shared goals will make the difference in achieving the anticipated benefits

We learn from the presentations of three notable speakers—Dr. Franz Fiedler, Dr. Attila Chikán, and Dr. Arturo González de Aragón—why government auditing is so important and what more we can achieve within the guiding principles of our profession. In my capacity as the Chairman of the Governing Board of INTOSAI, I would like to express my most heartfelt gratitude to the three speakers for their excellent presentations. My sincere appreciation also goes to the State Audit Office of Hungary for their outstanding preparations for the 50th anniversary celebration of INTOSAI as well as the 51st Governing Board Meeting. The international audit community will join me in putting this historic year in the life of INTOSAI on record as a milestone for another 50 years of success.



An Interpretation of the Lima Declaration

Dr. Attila Chikán, Rector of Budapest University of Economic Sciences and Public Administration

Introduction

In our fast-paced world, the views of a professional organization are rarely quoted after more than a quarter of a century as a source of authority or a point of reference. The Lima Declaration of Guidelines on Auditing Precepts, which was adopted at the 9th INCOSAI in Lima, Peru, in October 1977, belongs to these rare exceptions. Its extremely well considered message and structure have a force that is effective even now. The goal of this lecture is to demonstrate why the Declaration is effective in today's economic and political conditions and why and how it can be a compass for national and international audits.

At the beginning of my lecture, I will summarize my views on the Lima Declaration, its origins, and the direct consequences of its existence. Then I will discuss its validity and functions for financial audits in today's conditions, with special reference to internationalization and globalization. Finally, I shall briefly summarize my views of perspectives contained in the Declaration.

Naturally, the validity of my analysis is limited by the fact that I am not an expert in financial auditing. Thus, I cannot undertake to subject either INTOSAI or the Lima Declaration to an "insider" criticism. My purpose is to try to delineate the place of the Declaration and the organization based on a general (although personally influenced) economic and social policy approach.

The Lima Declaration

Since the Lima Declaration was adopted at the 9th INTOSAI Congress, it can be stated that it was developed on the basis of international cooperation that was already extensive. At that time, INTOSAI had been operating for 24 years and its membership had long since exceeded 100 SAIs. One could say that it had already become a global organization, although this word was not yet used in that sense. The literature that I have studied shows that throughout its history, INTOSAI has been a proactive organization, particularly in the sense of displaying very intensive activity in promoting the creation of the audit organizations of less developed countries. On the one hand, the principles laid down in the Lima Declaration reflected the experience gained in this process and, on the other, they sought to ensure that this experience would become public property—that is, encouraging different countries to develop their financial audits using uniform principles based on this experience. I do not know how deeply the idea of worldwide operative coordination was rooted in the minds of the Declaration's authors, but I assume that the idea appeared only very faintly among the intentions, if at all. (Remember that 1977 was directly after the

international shock caused by the oil crisis, when global coordination was still considered a bold idea.)

However, the Declaration turned out very well. While it is hardly necessary to review its contents at this point, I would like to draw attention to some of the features and principles it included that later turned out to be very important:

1. It not only declares the independence of the Supreme Audit Institutions (SAI), but also
 - states why that independence is necessary,
 - draws attention to the relative nature of independence and lays down its most important (personal and financial) conditions, and
 - defines the content of independence by defining the relationship of SAIs to the institutions concerned.
2. It sets down the limits on SAI activities and the power of SAI decisions; that is, it describes the expectations regarding the SAI activities and the results of these activities.
3. It provides detailed methodological guidelines for the content and fields of SAI activities (laying down the principles of quality assurance, which in 1977 was rather ahead of its time).
4. It establishes the position of SAI activities at the international level (in relation to both the exchange of experience and relationships with international organizations).

The Lima Declaration builds on general principles and values that will last for the foreseeable future; it is presented with such lucid wording and clear structure that it imparts a sense of being unquestionable. And indeed, the years that have passed have proved its direct utility, as well as the fact that (thanks to the lasting principles and values embodied in it) it can even today provide a framework for financial audits, adapting to the requirements of a rapidly changing world.

Financial Audits in Our Day

The aim of financial auditing has been defined in many different ways. The definition that I find most important, especially in relation to our topic, is that it serves the cause of *increasing the operational security of society*. Security is important not only because it is one of the most important factors in an individual's general state and, as such, a very important factor in the qualification of a given society, but also because it plays a decisive role in the dynamics of the growth of social welfare. It is

a basic economic proposition that uncertainty incurs considerable costs, that it deprives development of substantive resources, and, what is more, that it distorts the structure of the utilization of resources, which impairs economic efficiency even further.

Of course, there are a number of components necessary for the security of society. Taking into account the role of institutional systems of the state in modern society, the security of the functioning of the highest state institutions (and people's confidence in that security) is exceptionally important. The main task of SAIs is to promote this security. The literature dealing with the history of SAIs consistently calls attention to the fact that at the beginning, the task of audits was to monitor the financial regularity of the activities of state authority. However, developments over past decades (from the expansion of welfare systems to the intensifying requirements of international competitiveness) have led to a situation where today the analysis of operational efficiency is as important as the audit of regularity.

To speak of financial audits is by no means a narrow, one-sided approach. On the contrary: *the most comprehensive dimensions of the activities of state authority appear in finances*. The expenses of welfare systems are among the largest items utilizing GDP and the most important elements of the general condition of society; the opportunities for society's intellectual and physical life can be found behind the social welfare systems. In regard to international competitiveness, the other "development" that was mentioned, it can be stated that the system of state incentives, the operational security of a given country, and the confidence demonstrated about that security represent decisive competitive factors in a number of fields.

Consequently, auditing is an activity that can influence social welfare and the opportunities for development in a decisive manner. In order to explore its true importance in more detail, let us see how auditing relates to the other main influencing factors of society, the system of social coordination mechanisms.

Audit Activity in the System of Social Coordination Mechanisms

Auditing is not carried out for its own sake: neither its motives nor its aims are independent from the other mechanisms of the management and functioning of society. *In my view, the importance of the Lima Declaration lies first and foremost in the fact that due to its unequivocal interpretation, it allows the activity of auditing in a general manner (and, in certain respects, such as independence, also in concrete form) to be integrated into the system of social management.* To explain this, let me make a brief theoretical detour.

The division of labor belongs to the basic functional principles of modern society, which (due to the concomitant increase of efficiency) results in specialization. These specialized individuals and organizations "exchange" the products of their activities

among themselves, and the coordination of these exchange processes determines the framework for the activities of society and economy.

An extensive literature deals with the coordination mechanisms of society. I consider János Kornai's formulation to be the most broadly applicable. Kornai distinguishes four kinds of coordination mechanisms: the bureaucratic, the market, the ethical, and the aggressive.

In the operation of the *bureaucratic mechanism*, the relations among the actors are characterized by subordination and supremacy. Under the prevailing power relations, orders induce those at the lower levels of hierarchy to act and to exchange the products of their activities in a legally regulated manner and to a legally regulated measure. The relations can be money-based, or monetized (the employees receive wages), but this is not necessarily so.

Under the *market mechanism*, the actors are equals in rank and voluntarily enter into relationships with each other, with the aim of obtaining mutual advantage by observing the rules of a system built on mutual interests. The relations are monetized; that is, they build on the presence of money.

In the case of *ethical coordination*, the actors are again peers, and they participate in the process of their own free will. The incentive to do so can be one-sided (charity) or it can be based on the principle of mutuality and reciprocity. In ethical coordination, money does not play a direct role.

In *aggressive coordination*, the actors are not equals in rank, and the regulation is based on the raw superiority of the coordinator. Money can be present, but this is not necessarily so.

Some mixture of these coordination mechanisms operates in every society, but a dominant coordination can usually be identified. In modern society, it can either be the bureaucratic or market coordination. The other two can be dominant only temporarily before they quickly "turn into" one of the other two (e.g., charity is placed on a market foundation or, in the case of violent takeover, the leadership becomes legitimized). No coordination vacuum will last—when the other three mechanisms do not function, aggressive coordination will appear.

How can the highest level of financial auditing, as defined by the Lima Declaration, be positioned in this system?

The starting points for this interpretation are the three main components of auditing as defined in the Lima Declaration: its state character, its independence, and its focus on the economy, efficiency, and effectiveness in the utilization of financial resources.

The state character of auditing definitively places audits among the elements of bureaucratic coordination (even in the case when market organizations, such as state-owned companies, are audited). Thus, this kind of auditing is a function of the type of state role dominant in a given country; the main points of importance are different in a liberal, welfare, or socialist state system. Here, the importance of the Lima Declaration lies in the fact that it lays down general principles independent of the concrete forms of the actual role of the state. This is particularly important since it makes it possible to carry out audits on the basis of factors and practices that point beyond the actual governments, which may be replaced and may favor the assumption of different state roles. This is the property that enables independence—an integral part of the substance of auditing—to prevail.

This also makes it possible to ensure that the most important role of the modern state—making rules for the functioning of every type of coordination mechanism and enforcing those rules—can prevail without disrupting society by frequently changing these rules.

The market mechanism can be said to have become the dominant coordination mechanism in most developed or moderately developed countries at present. For this to come about, stable and reliable regulation was needed as a precondition of the effective economic competition that mobilizes the whole society. The fact that the Lima Declaration places a special emphasis on performance audit and the importance of performance efficiency is to no little extent the consequence of the phenomenon that *the spread of market coordination mobilizing the entire society sets high requirements for efficiency, which also applies to processes not organized on a market basis*. This occurs because in the majority of cases there is an opportunity to transfer bureaucratically coordinated activities into market coordination activities (e.g., the much-disputed question of privatizing health care services).

Ethical coordination establishes relations between the private and the public spheres, that is to say, between the elements of market and bureaucratic coordination in a number of fields (for example, the functioning of the forums for interest coordination). Even more important, however, is the fact that *SAI operations cannot be conceived of without applying explicitly ethical considerations in a number of cases to the gaps that inevitably exist in bureaucratic coordination or to endeavor to harmonize the views of market and bureaucratic coordination*.

By definition, the cases of aggressive coordination are to be ‘prosecuted’ by financial audit, since the basis for inducing action, as stated in the definition, is a non-legalized supremacy.

The foregoing discussion elucidates the fact that financial audit thoroughly blends with the coordination mechanisms of a given country. The Lima Declaration pro-

vides clear-cut general principles in answer to the question of “how,” which can easily be adapted to concrete situations. This is where the virtue of not making the different factors of audit too specific appears, and this makes adaptation possible.

Let us now turn to perhaps the most exciting field of the interpretation of the Lima Declaration: the role it plays in our day. As the basic quality of the Declaration is its international character, let us now place globalization into the center of this exposition.

The Lima Declaration and the Global Economy

The phenomenon of globalization is not new. Mankind’s general endeavors to know the surrounding world and to draw it within the sphere of its activity have existed since ancient times, and our ancestors broadened their knowledge in the spirit of this endeavor, continually expanding the limits of the known world. Today, the concept of globalization builds on the expansion of primarily economic activities to the whole world. We do not aim to analyze its many definitions; we shall apply the simple concept according to which *we can speak about the globalization of a phenomenon if the actors’ range of consideration, decision-making, and action extends to the whole world.*

As we define globalization today, its driving force is the economy, while its basis and opportunities have been created by the development of information technology and logistics. What keeps it in motion is the general endeavor of capital to achieve an ever-growing efficiency. This endeavor requires the greatest possible mobility of capital, in the interest of which it tries to remove every obstacle in its way, national borders included.

Globalization also sheds new light upon the mechanisms of social coordination. It has extended the validity of the market mechanism, whose cross-border role makes it possible for economic operations to embrace the whole world. At the same time, the sphere of operation of the bureaucratic mechanism has also changed (as it were, increased). It has left the framework of nation states since it is necessary to establish a system of supranational rules of the game for the economy, which must be developed by a global bureaucracy. All this leads to the possibility of witnessing a doubling of global coordination. On the one hand, there is bureaucratic global management that has been functioning historically for a long time, primarily through supranational or other international institutions established by nation states. The chief actor of this coordination is the politician maximizing votes. On the other hand, there is market coordination based on business interests, the chief actor of which is the businessperson maximizing profits. In a number of respects, the logic of these two kinds of coordination differs sharply; nevertheless, they have two common properties that are important in relation to the subject of this lecture.

One common property is that both the typical chief actors of coordination (the politician and the businessperson) move on a path they are in essence forced to take, as far as their preferences are concerned. If, on a lasting basis, the income of a businessman does not exceed his expenses and that of his competitors, or if a politician is not able to obtain more votes in an election than his opponent, he is lost.

A second common property is that with respect to both bureaucratic and market coordination, society lays down the ethical expectations that lead to ethical coordination. These ethical expectations may, in fact, limit the freedom of a given actor in his decision-making. However, in the long run and with respect to the system as a whole (or, as the case may be, with respect to the country or the whole world), they may even increase the narrowly defined efficiency.

What is the role of INTOSAI and the Lima Declaration in this global coordination?
To answer this question, let us first examine the institutional system of globalization.

It is important that the institutions established for the globalization of both bureaucratic and market coordination were set up by nation states in accordance with the rules of political logic. This logic functions adequately, if not very efficiently, in the purely bureaucratic sphere in the system of international political institutions. However, the inner logic of the institutional systems of nation states established for market coordination (including the International Monetary Fund, the World Bank, and the World Trade Organization, for example) contradicts the requirements of market globalization at a number of points. The chief actors of market globalization are the multinational corporations, whose international organization is yet to be established and whose interests are, for the most part, asserted informally in the global institutional system.

My aim here is not to sketch out the total institutional system of globalization. For instance, I did not speak about the international professional and managerial organizations or the appearance of institutions in the civil sphere. Instead, in the light of the foregoing, let us turn our attention to the place and role of INTOSAI and the Lima Declaration.

What was said about the coordination mechanisms of nation states also holds true for the global economy; namely, that although market coordination is verifiably the most efficient, it cannot function by itself, in particular because the basic tools of market coordination (the rules of competition) have to be established by bureaucratic coordination. *The role of INTOSAI is unique: it influences the global processes indirectly by influencing the activities of the individual national actors, the SAIs of nation states. Herein lies the strength of the Lima Declaration: it efficiently promotes the aim that the individual national audit institutions should audit national governmental organs on the basis of identical principles and methods.* As a result, they can participate in global coordination with principles that are as uniform as

possible, thereby making greater efficiency possible. This is an extremely important role, especially in light of what has been said about the capacity of state authority activities to influence the international competitiveness of nation states. In this respect, the greatest importance of the Lima Declaration is its contribution to the functioning of the international institutional system of globalization built on uniform principles, on the one hand, and to maintaining the purity of the institutional system, thereby promoting the purity of global competition and its efficiency, on the other. For that matter, this process is promoted by the fact that concrete cooperation is beginning to be established among the SAIs and by the supranational SAI of the European Union, albeit at a slow pace.

In harmony with the above, INTOSAI can be seen as an important unit of world governance, and the Lima Declaration as an important manifesto of governance.

INTOSAI is a special unit in world governance, and its importance can be deduced from this fact. Basically, it belongs to the institutional system of bureaucratic coordination since it brings together the organizations focusing on auditing state authority. In a certain sense, substantiated by the Lima Declaration, this organization exerts an influence like the specialized organizations of the United Nations, which elaborate rules and recommendations for the nation states; at the same time, in contrast with other organizations, it is not the governmental organs of nation states that stand in the background, but rather independent organizations with special embedding in the structure of state authority. Thus, due to the role it plays through the national SAIs, INTOSAI also stands apart from the bureaucracy of globalization and influences the functioning of the rest of the international or supranational organizations indirectly.

It is also worthwhile to compare INTOSAI and nongovernmental organizations, especially the international professional organizations that are playing an increasing (although still minor) role in global coordination. While the large management organizations—such as the International Chamber of Commerce, the International Federation of Purchasing and Materials Management (IFPMM), and the international medical and engineering organizations—try to influence the national organizations regulating their professions to apply certain norms and observe certain standards, none that I know of have as strong national institutions backing them as the SAIs. As a result, the reach and actual influence of the Lima Declaration, in comparison with the recommendations issued by other nongovernmental organizations, is extremely broad.

The Importance of INTOSAI and the Lima Declaration Today

In many respects, the security and stability of the functioning of nation states are elementary interests in a globalized world. First, from the political point of view, I agree with Ignatieff's famous elucidation, which concludes that individual nation states and the peaceful development of the world are most greatly threatened by

other nation states that have fallen apart, gone bankrupt, or are ruled by unacceptable regimes. *Supreme Audit Institutions are qualified precisely to promote the security of the functioning of individual nation states and societies.* Naturally, they cannot assume responsibility for political and economic decisions, but by establishing proper feedback they can have a profound influence upon long-term decision-making processes, thus ensuring that decisions are made in accordance with internationally accepted principles. It is hardly necessary to argue the importance of the Lima Declaration—which specifically aims to define the notion of what is “internationally acceptable”—from this point of view.

In addition to political security, INTOSAI (primarily through the Lima Declaration and its audit standards) plays a very important part in increasing the efficiency of global market coordination. It is widely recognized, and we have emphasized it here as well, that for a world globalized on a market economy basis, it is essential to ensure that capital should meet the fewest possible obstacles in perfecting its efficiency. I should like to emphasize that I do not consider the increase of capital efficiency as an absolute value. I agree with the arguments that it has its limits, which can be determined from the point of view of national or general human values. It is a fact, however, that all things being equal, higher market efficiency leads to higher welfare. The obstacles of which I speak are in general almost entirely unfavorable and even harmful phenomena, according to public opinion.

Financial audit contributes to this increase of global efficiency decisively through two channels. One of them is *detering the nation states' machinery of state power from trying to obtain advantages through unilateral attempts distorted by short-term political interests*, which unfortunately presents a strong temptation to the participants in political skirmishes. The Lima Declaration created the foundation for ensuring that regularity and performance audits would be carried out in different countries by relying on uniform principles and methods, that is to say, for ensuring that from this point of view the different nation states would participate in global cooperation on virtually the same basis.

The other form in which INTOSAI and the individual SAIs behind it participate in increasing global efficiency is a stubborn resistance to the phenomena and consequences of corruption and the black market economy. Accountability and observation of the rules are in the self-interest of the economic actors; without them, fair competition, the basis of the market economy, is impossible. By its very nature, every form of corruption deteriorates economic efficiency; thus, the fight against it is also a fight to achieve higher economic growth and a healthier social structure.

Supreme Audit Institutions, building on the principles included in the Lima Declaration, also play an important part in the sphere of ethical coordination. It is extremely

important that *the Lima Declaration, for the purposes of financial audit, demonstrated in practice the possibility of developing principles bridging different traditions, cultures, and political systems*. Naturally, this does not mean any movement toward giving up each nation's independent character. The Lima Declaration allows room to assert unique national features; specifically, the common general principles allow different countries to assert their national interests and special features while effectively adapting to the requirements of the globalized world.

It is extremely important in this respect that INTOSAI steadily endeavors to steer clear of any direct involvement in politics. This is of basic importance from both a practical point of view (to maintain opportunities for substantive cooperation) and an ethical point of view (to maintain mutual trust).

Summary

We are living in the dawn of a knowledge-based society. I am of the school of thought that believes that the creation, processing, and dissemination of information are of increasing importance for the functioning of human society.

Under these circumstances, a Declaration that not only dispenses information regarding intentions and principles, but also directly influences our everyday lives and welfare gains a special role. Our world has the framework and means to ensure that the contents of a “generally respected” Declaration should become a force with worldwide influence.

The Lima Declaration is a well constructed document with consistent and well intentioned content and a clear message. INTOSAI, as I have tried to demonstrate in this lecture, is an important organization that satisfies the requirements of the modern world. Every reason exists, therefore, to hope that it can continue to exert significant influence on financial audits at both the national and the international levels.



The Independence of Supreme Audit Institutions

Dr. Franz Fiedler, Secretary General of INTOSAI and President of the Austrian Court of Audit

I. General Remarks

In a state committed to the principle of the sovereignty of the people, Parliament, as the supreme legislative body, holds the power to adopt the budget, while the government, as the supreme executive body, and its subordinate administrative authorities are responsible for budget implementation. Hence, the main focus of government audit authorities is on the performance of the tasks that have been conferred upon the executive branch of government. The authorities exercising executive power are the subject proper of the audits performed by Supreme Audit Institutions (SAI). This point is explicitly made by the Lima Declaration of Guidelines on Auditing Precepts (the so-called Lima Declaration, which has gone down in the history of INTOSAI as its Magna Carta), adopted by the 9th INTOSAI Congress held in Lima in 1977. The Lima Declaration states that the activities of the government, its administrative authorities, and other subordinate institutions are subject to audits performed by the SAI (Sect. 9).

Given the wealth of state power concentrated within the executive branch of the government, there is an underlying danger that this power will be used against the authorities responsible for government audit. This implies a constant risk of the executive branch influencing the activities of the government audit authorities and interfering with their independence. If such influence were indeed exercised over government audit, the SAI would soon find itself in a state of dependency upon the government it is auditing. Thus, the objective and effective control of the financial management of the state would be impaired and any government audit would deteriorate into an act of self-control or an “alibi” of the government for its actions. The SAI would become nothing more than a puppet of the government.

Although the Lima Declaration aptly notes that state institutions cannot be absolutely independent because they are part of the state as a whole (Sect. 5.2), it stipulates in unmistakable terms that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and protected against outside influence (Sect. 5.1).

The Lima Declaration further demands that the independence of the SAI be laid down in the Constitution (Sect. 5.3). To meet this requirement, a nonbinding declaration of intent is considered insufficient; instead, the Lima Declaration stipulates that adequate legal protection by a supreme court against any interference with an SAI’s independence and audit mandate be guaranteed (Sect. 5.3). The Lima Declaration thus refers to an effective guarantee of legal protection for SAIs and, since such

protection can only be guaranteed in a state fully and truly under the rule of law, implicitly takes the existence of the latter for granted.

The potential threats to the independence of the SAI and/or the possibility of the executive branch of government influencing the SAI are numerous and varied. To counteract such threats effectively, the concept of “independence” needs to be translated into concrete and substantive terms by applying specific normative determinants, which will be explained in greater detail in the following.

II. The Determinants of Independence

1. Organizational Independence

If the executive branch of government were in a position to exercise unrestrained influence over an SAI, especially upon its management and governing body, this would be equivalent to the government’s primacy over the SAI. Hence, the Lima Declaration states that SAIs must have the organizational independence required to accomplish their tasks (Sect. 5.2).

However, the Lima Declaration demands the independence not only of the SAIs themselves, but also of their members, stating that the independence of SAIs is inseparably linked to the independence of their members (Sect. 6.1). In the Declaration, “members” are defined as those persons who have to make the decisions for the SAI and are answerable for these decisions to third parties—that is, the members of a decision-making collegiate body or the head of a monocratically organized SAI.

Through this wording, the Declaration takes account of the different structures of SAIs, which are organized either as collegiate bodies—commonly found in most civil law countries—or as monocratic structures, according to the Anglo-Saxon model. The Declaration is not focused exclusively on a particular structure, nor does it give preference to one or the other of the systems found throughout the world.

The Lima Declaration rightly assumes that the independence of an SAI’s governing body guarantees the independence of the SAI as a whole. If the government or any other audited body were in a position to give instructions to SAI members or influence them in any other way, this would impair the independence of the SAI itself, regardless of the existence of a legal or even a constitutional commitment to SAI independence.

Following the same logic, the Lima Declaration further states that the independence of SAI members is to be guaranteed by the Constitution and must not be impaired by the procedures provided for their removal from office (Sect. 6.2).

In light of practical experience, we need to recognize the fact that a certain level of government involvement and/or participation and initiative in the appointment of

SAI members, especially their heads, cannot be excluded. Any assessment of the true independence of an SAI depends on whether the governmental right of participation is limited to the appointment procedure as such or extends to the manner in which the governing body of the SAI fulfills its role and the decisions it makes. The latter would be incompatible with the independence of the governing bodies and, thus, of the SAI itself and would run counter to the intentions of the Lima Declaration.

If the government were able to remove SAI decisionmakers from office in an arbitrary manner, this would be even less compatible with the requirements of the Lima Declaration. The mere possibility of such government action would diminish the authority of the governing body of an SAI, impair its impartiality, cast doubts upon the objectivity of its audits, and undermine the independence of the entire SAI.

An SAI exercising its functions under the threat of arbitrary removal from office would sooner or later try to please the government and abstain from criticizing it, as its governing body would otherwise expose itself to the danger of being dismissed from its functions by the government.

It is understood that the above said does not exclude the possibility of the governing body of an SAI being removed from office before the end of its term if it is no longer able to fulfill its official duties or has been found guilty of infringements. However, there must be a guarantee that such removal will follow a formal procedure that is strictly regulated and based on the principles of the rule of law. It would never be acceptable or compatible with the independence of an SAI and its members if a government were in a position to remove the governing body in an arbitrary manner because of an unfavorable audit report. In many countries, the SAIs and their governing bodies are protected against such arbitrary government action by the fact that their members enjoy the independence of judges and, therefore, cannot be dismissed at the government's discretion.

The demand for organizational independence also includes the SAI's exclusive sovereignty in matters of human resources, including the recruitment of personnel. Any government involvement in such matters would be equivalent to its indirectly influencing the auditing activity of the SAI; imagine, for example, a government having the right to prohibit the SAI from recruiting representatives of certain professional groups, such as construction engineers, to prevent it from auditing construction projects.

Auditors themselves, although bound by instructions from their superiors within the institution, must also be granted sufficient protection against arbitrary acts of the executive powers. To this end, the Lima Declaration stipulates that SAI audit staff must not be influenced by the audited organizations and must not be dependent on such organizations in their professional careers (Sect. 6.3). Appointments and promotions of auditors and, above all, disciplinary measures taken against them—

with removal from office as the most severe sanction—must therefore be beyond the influence of the executive branch of government.

2. Functional Independence

According to the Lima Declaration (Sect. 5.2), the functional independence of an SAI is no less important for the objective and effective performance of its tasks. For such independence to be guaranteed, the SAI's audit powers—or at least its basic principles—have to be embodied in the Constitution (Sect. 18. 1), and the government must not interfere with them.

Generally speaking, functional independence refers to securing the exercise of government audit without any possibility of third parties, above all the executive branch of government, influencing this activity. It includes the SAI's power to design its audit program as independently as possible and its freedom from any constraints and/or third-party conditions in the choice of the organizations to be audited. In particular, sufficient legal protection for the SAI must be provided in the event of the government wanting to prevent an audit.

In addition, the functioning of an SAI must not be impaired through restrictions imposed on the performance of audits. Within the legal framework governing its activities, the SAI must, therefore, be free to set its own auditing priorities and apply the auditing methods and techniques it considers appropriate without being influenced by the executive powers. By the same token, the SAI must enjoy complete freedom regarding the substance of its reports. Any attempt on the part of the government to influence the content of SAI reports or to suppress unfavorable audit results must be counteracted with determination in all circumstances.

3. Financial Independence

Like any other activity of the state, government audit incurs costs that have to be met from the public budget. The lower the percentage of the total budget earmarked for government audit, the smaller the scope for the SAI to perform its function. No matter how well intentioned the legal provisions regarding the powers and the independence of an SAI may be, their effectiveness will be undermined if a chronic shortage of funds prevents the SAI from exercising its control functions properly.

To exclude the possibility of such constraints impairing SAI activities, the Lima Declaration demands that SAIs be provided with the financial means to enable them to accomplish their tasks (Sect. 7.1).

Because the government prepares the annual draft budget in most countries, the possibility of the government earmarking a very small amount for the SAI in a conscious effort to restrict its scope of action cannot be altogether excluded. Therefore, the Lima Declaration provides that SAIs are entitled to apply for the necessary financial means directly to the public body deciding on the national budget, i.e.,

Parliament (Sect. 7.2). In some countries, including Austria, the SAI governing bodies also have the right to take part in the parliamentary deliberations on the budget and to represent the SAI's financial interests on these issues by taking the floor in the plenary sessions of Parliament.

Finally, according to the Lima Declaration, SAI financial independence is to be clearly reflected by specifying the funds earmarked for them in the public budget under a special budget heading—separate from those of state ministries. Even more important than this symbolic emphasis on SAI independence is the requirement that the SAI be entitled to use its allotted funds as it sees fit (Sect. 7.3) and to implement its budget without having to obtain the approval of the executive powers of the government.

III. Independence and Democracy

Experience tells us that the members of INTOSAI translate the Lima Declaration's three fundamental principles of organizational, functional, and financial independence into practice in varying degrees. Strictly speaking, only a few SAIs have legal foundations that fully meet the demanding requirements of the Declaration. It has been found that the degree of an SAI's independence and the guarantees provided correlate positively with the advancement of the process of democratization in the state concerned.

It would be an illusion to think that in countries ruled by dictatorial regimes and lacking democratic institutions—countries in which the separation of powers between the legislative, executive, and judicial branches of government is an alien notion—the national SAIs should stand out from all other state institutions through their independence. On the contrary, the SAIs tend to be drawn into the concentration of powers typical of authoritarian regimes, thus being reduced to a dependent role.

Hence, an advanced stage of democracy and highly developed state institutions under the rule of law constitute the fundamental prerequisites for the independence of government audit. In brief, democracy and the independence of SAIs are inseparably linked. Impressive historical evidence proves the validity of this statement. It was no coincidence, but rather the manifestation of a democratic attitude, that the Declaration of the Rights of Man and the Citizen, adopted in revolutionary France in 1789, contained a paragraph referring to government audit:

“All citizens have the right to verify for themselves, or through their representatives, the necessity for the public tax. They further have the right to grant the tax freely, to watch over how it is used, and to determine its amount, the basis for its assessment and its collection, and its duration” (Article XIV).

Thus, the rejection of absolutism went hand in hand with a growing emphasis on the importance of a transparent system of government audit and marked the beginning of a development that remains incomplete to this very day. The sovereignty of the people implies the demand for control to be exercised over public financial management. Consequently, the independent institutions of government audit are to be regarded as a direct outcome of democratic development.

The obvious interaction between democracy and independent government audit has become even clearer in recent years, with the process of democratization in the Central and Eastern European countries in transition leading quickly to the creation of new and truly independent audit institutions.

While institutions of government audit may exist and be operational in dictatorships, they either lack independence or do not benefit from any guarantee of their independence through legal protection. Not so in a true democracy, where the system of separation of powers provides the prerequisites for both the independence of government audit and a functioning parliamentary system.

IV. The Relationship of the Supreme Audit Institution with the Government

The continuous struggle of the SAI to preserve its independence from the executive powers does not, however, exclude cooperation with the government. In fact, such cooperation is considered normal in a democratic state under the rule of law, not least in the interest of making the most efficient use of public funds and meeting the concerns of the taxpayers.

Essentially, such cooperation develops on the basis of any SAI's main task, i.e., its audit activity. The result of any audit performed by the SAI ought to be two-dimensional: to reveal deficiencies in the implementation of the public budget and to recommend improvements. However, both components of the SAI's audit activity—one looking to the past and the other to the future—can best be implemented with the active participation of the executive branch of government. Past mistakes detected by the SAI are easier to correct and eliminate if the administration is willing to take the necessary corrective measures within its own sphere of responsibility. The same goes for future improvements recommended by the SAI, which can be put into practice most expeditiously if the administration is ready to accept them and act accordingly.

Hence, practical implementation of the SAI's recommendations depends, above all, on the cooperation of the executive powers. At the same time, the executive branch of government derives a benefit from the SAI's recommendations, which are aimed at improving budget implementation. Given this type of relationship, cooperation

between the body exercising government audit and the executive powers presents itself convincingly as a meaningful option.

We know from experience that the relationship between government audit and the government normally is characterized not by permanent confrontation but by mutual trust and the willingness to engage in a dialogue. As a matter of course, this does not exclude differences in opinion, as long as they are settled in a spirit of openness and understanding.

Constructive cooperation between the SAI and the ministry responsible for public finances has proved to be particularly advantageous in practice, as it may be taken for granted that both institutions are committed to the same goal—the most efficient use of public resources. Taking a firm and determined stance, the SAI and the Ministry of Finance often succeed in prevailing over resistance put up by other parts of the public administration.

The benefits of cooperation include not only the results of audits the SAI performs but also the expert opinions it produces for the administration. The Lima Declaration mentions expert opinions issued by the SAI, stating explicitly that the administrative authorities bear the sole responsibility for accepting or rejecting them (Sect. 12.1).

While cooperating with the administration and the government is altogether desirable, the SAI should always be careful not to be dominated by the government or pushed into a subordinate and subservient position. Cooperation has to be based on equality rather than domination and subordination; otherwise, the independence of the SAI would be jeopardized. Moreover, the Lima Declaration states that the SAI has to ensure that additional tasks performed for the administration over and above its audit activity do not anticipate future audit findings and in no way interfere with the effectiveness of its audits (Sect. 12.1).

V. The Relationship of the Supreme Audit Institution with Parliament

1. The Importance of Relations Between the SAI and Parliament

The SAI's relationship with the executive branch of government is always ambivalent, as the impairment of the SAI's independence is always a possibility. In contrast, the relations between government audit and the legislature are unlikely to be affected by the same degree of tension because they both ultimately pursue the same goal. The power to exercise control over the manner in which the government implements the budget is a necessary complement to the power of budget appropriation. A democratic state ultimately vests these rights in Parliament, the body acting as the true and democratically legitimized auditor.

However, while Parliament exercises its right of budget appropriation, it does not have the human and administrative resources to exercise control over budget implementation. For this task, Parliament depends on a separate controlling body, i.e., the SAI. Hence, there is a close relationship between the SAI and Parliament in democratic states.

The SAI's importance to Parliament derives primarily from the information on the government's use of budgetary funds obtained through the audits the SAI performs. For this reason, national law usually provides for the SAI to report to Parliament about its audit activity. This corresponds to the requirement in the Lima Declaration that the SAI be empowered and required by the Constitution to independently report its findings to Parliament (Sect. 16.1).

If it were not for the SAI's reports on the use of public funds, Parliament would be unable to exercise its power of control over the government, which would ultimately impair its budgetary sovereignty. This demonstrates that the SAI is an essential pillar of parliamentary democracy. By exercising its government audit function on behalf of Parliament as the holder of the supreme control prerogative, the SAI greatly strengthens Parliament's budgetary authority.

For the SAI itself, the right to report to Parliament implies a greater chance of having its recommendations put into practice, as stated by the Lima Declaration (Sect. 6.1). Experience tells us that if sanctions are not provided for, most SAIs will not be in a position to have their recommendations implemented against the will of the audited bodies. If the SAI itself is not able to ensure implementation of recommendations targeted at the audited government unit, support from the legislative body in the exercise of its control prerogative is welcome.

The audit reports of the SAI enable Parliament to demand that public bodies, above all the government, assume their political responsibility and to resort to the parliamentary instruments of control—such as interpellation, resolutions, or votes of no confidence—in the pursuit of this goal.

Thus, both the effectiveness of government audit and the control prerogative of Parliament clearly depend to a large extent on the SAI and Parliament cooperating in a spirit of mutual confidence. If Parliament and the SAI take a common position vis-à-vis the administration, the recommendations issued by the SAI can be put into practice more easily and Parliament is in a better position to effectively exercise its control prerogative.

Consequently, government audit and the legislature are bound to each other by a fabric of relationship and will be well advised to use the opportunities open to them through responsible cooperation in the taxpayers' interests.

In many states, the existence of this fabric of relationship manifests itself in the right of the legislature to participate in the appointment of and/or removal from office of the governing body of the SAI. The same holds true for SAI reports to Parliament (which are mostly dealt with in the presence of SAI representatives) and the SAI's elaboration of expert opinions and/or comments on draft laws and other financial regulations for Parliament, as provided for by the Lima Declaration (Sect. 12.1).

2. Parliament as a Potential Source of Danger for the Independence of the SAI

Looking at the situation realistically, however, we find a substantial gap between the de facto relationship of government audit and the legislature and the ideal notion of cooperation.

Unlike the classic model of the constitutional state with its traditional juxtaposition of Parliament and the government, the dividing line in many modern parliamentary democracies no longer runs between Parliament as a whole and the government, but between the parliamentary opposition, on the one hand, and the government and the governing parties represented in Parliament, on the other.

Given this change in constitutional reality, the parliamentary majority often lacks the determination to exercise unconditional control over its subordinate administrative bodies. The parliamentary groups of the governing parties take an overriding interest in keeping the government in power and in expressing their solidarity with it, as the political destiny of the governing parties and their representatives is inseparably linked to that of the government. Hence, it is no surprise that members of Parliament representing the governing parties rarely muster the courage to support the criticism voiced by the SAI, let alone make use of the arsenal of parliamentary instruments to control and/or sanction the government.

Therefore, it remains primarily for the parliamentary opposition to take up the reports of the SAI and to use the findings and criticisms they contain as a weapon not only in the parliamentary debate, but also in the context of other domestic policy issues. It goes without saying that the opposition parties—just like the governing parties with their opposing interests—are motivated by practical considerations of party politics rather than a declared interest in government audit. Nevertheless, there is a convergence of interests between government audit and the parliamentary opposition, which in turn leads to an undeniably close relationship between the two. SAIs are sometimes blamed for focusing too much on the opposition or even acting in the interest of the opposition in terms of party politics. However, such criticism is unfounded and mistakes the cause for its effect. SAIs do not act according to considerations of party politics; rather, politicians react to audit reports according to their party affiliation.

Therefore, the parliamentary debate on audit reports is characterized by a certain lack of enthusiasm for the cause of government audit on the part of the parliamentary majority. More often than not, the reports of the SAI do not give rise to a debate between the representatives of the audited body and the members of Parliament; instead, they result in a confrontation between the parliamentarians and the representatives of the SAI. In many cases, it is not the audited body that has to justify the behavior it is being blamed for, but the SAI that has to defend its own criticism.

If the government were to succeed in gaining an influence over the SAI on the strength of its domination of the parliamentary majority and, ultimately, of Parliament as a whole, there would be even greater cause for concern. Through the legislature, government audit would thus become indirectly dependent on the executive branch of government.

The Lima Declaration has, therefore, every reason to demand that the independence of SAIs be preserved vis-à-vis Parliament, even when SAIs act as agents of Parliament and perform audits on its instructions (Sect. 8). The principle of the SAI's autonomy and responsibility for the selection of its audit subjects, audit methods, and reporting also applies to its relations with the legislator.

The relations of the SAI with Parliament should therefore be shaped in such a way as to enable the SAI to use the full range of opportunities arising from such relations in the exercise of its activities. At the same time, every effort must be made to prevent an impairment of the SAI's autonomous function and independence. This is yet another point in support of full equality as a basis of cooperation between the SAI and the legislature.

VI. The Importance of the Independence of Government Audit Within the Framework of INTOSAI

Throughout its 50-year history, INTOSAI has taken up the issue of the independence of SAIs on numerous occasions. In fact, it is no exaggeration to say that this has been the central issue for INTOSAI and a subject of continuous debate ever since its foundation. The fundamental principles laid down in the Lima Declaration, which serve as a yardstick for true independence as the most valuable asset of any SAI, fully correspond to a central concern of INTOSAI pursued in the interest of effective government audit.

Not all SAIs that are members of INTOSAI meet the demanding requirements of the Lima Declaration in terms of their independence. The bodies of INTOSAI have therefore emphasized the importance of SAI independence at regular intervals, using INTOSAI's numerous events and publications as a platform to advocate this essential point. Regional INTOSAI working groups have also taken up this subject. For example, the conclusions of the 4th Congress of EUROSAI in Paris in 1999 referred,

among other things, to the relationship between SAIs and the media as an indicator of SAI independence and underlined the need for an autonomous communications policy as an essential component of independence.

Based on an initiative of the Canadian SAI, a task force on the independence of SAIs was established at the 44th meeting of the INTOSAI Governing Board in Montevideo, Uruguay, in 1998. The task force was mandated to investigate the degree of independence of INTOSAI members and to issue recommendations on possible means of achieving realistic improvements. The task force was chaired by the SAI of Canada; its members were the SAIs of Cameroon, Egypt, Saudi Arabia, Antigua and Barbuda, Portugal, Uruguay, and Tonga—comprising one representative from each of the seven regional working groups of INTOSAI—and the INTOSAI General Secretariat.

After performing extensive surveys among the members and evaluating the report of the 4th EUROSAT Congress, the task force submitted its final report in 2001. On the issue of independence, the task force outlined the following core principles as essential prerequisites for an effective government audit to be performed by SAIs:

1. The existence of an appropriate and effective constitutional/statutory/legal framework for independence and the corresponding provisions for de facto implementation.
2. The independence of SAI heads and members (in collegial organizations), including security of tenure and legal immunity.
3. A sufficiently broad mandate and full discretion in the discharge of SAI functions.
4. Unrestricted access to information.
5. The right and the obligation of the SAI to report on its audit results.
6. The freedom of the SAI to decide on the content and timing of its reports and to publish and disseminate them.
7. The existence of effective follow-up mechanisms on SAI recommendations.
8. Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources.

These core principles, while reiterating some fundamental principles of the Lima Declaration on the independence of SAIs, go beyond the latter in part and set out

even more demanding requirements for SAIs to meet. Hence, INTOSAI and its bodies are making a continuous effort to reach this high level of independence for its members.

To this end, the task force—with its composition unchanged—was converted into a sub-committee of the Auditing Standards Committee upon completion of its original task in 2001. At the same time, the sub-committee was mandated to continue the project begun by the task force.

Moreover, the INTOSAI General Secretariat organized a seminar on SAI independence in cooperation with the United Nations in Vienna, Austria, in 2004. These activities undertaken within the framework of INTOSAI impressively confirm the importance attributed to the independence of SAIs. At the same time, they reveal the amount of effort still needed to establish and/or secure such independence wherever it is not yet sufficiently developed and/or guaranteed.

In recent years, the great importance of the independence of government audit has also been recognized outside INTOSAI. For example, countries and international organizations providing development assistance or subsidies for developing countries understandably want to ensure that the funds or resources donated are used according to their intentions. They have every interest in SAIs performing truly independent audits of the state institutions responsible for the use of funds and therefore being able to submit objective reports rather than opinions that are no better than alibis.

To meet the justified demands for a stronger SAI position in developing countries, the INTOSAI General Secretariat advises donor states and/or donor organizations to urge the governments of the developing countries to have representatives of their SAIs involved as equal partners in concluding development assistance contracts. Moreover, it should be a requirement for governments to explicitly guarantee the SAI's power to perform an autonomous and objective audit of the use of funds received within the framework of development assistance. This would guarantee an objective audit by the SAIs of the developing countries concerned and, at the same time, decisively strengthen the position of these SAIs at the national level, which in turn would serve to meet the demand for a higher degree of independence for government audit.

VII. Future Outlook

As regards the independence of SAIs, the current situation of INTOSAI members is characterized by substantial differences. There are countries in which the independence of the SAI is enshrined in the law or even in the Constitution and—as a matter of no lesser importance—guaranteed in practice by appropriate legal safeguards. In other countries, although the independence of SAIs is laid down in national law, the SAIs are not protected from inadmissible interference by the government or other

bodies subjected to an audit, which means that ultimately their independence is of little value in practice. Finally, there are SAIs that neither benefit from a legal guarantee of independence nor enjoy the degree of independence essential for their audit activities.

Hence, it will take a great deal of effort to ensure that all members of INTOSAI enjoy at least the degree of independence stipulated in the Lima Declaration. The process of democratization—which, it is hoped, will continue for the coming years and decades—ought to provide decisive input to this process. The example set by the Central and Eastern European countries in their transition to democracy certainly justifies our optimism.

However, even those SAIs that already enjoy a high degree of independence have to be vigilant to preserve it and not allow any doubt about their independence to arise on the part of the government and the executive powers. All members of an SAI, including its highest representatives, have to make full use of the independence granted to them and stand up against any attempt to curtail their autonomy without hesitation or compromise. SAIs share responsibility for preserving their own independence. Consequently, SAIs have to beware of doing favors for or rendering services to the government. An SAI that creates even the slightest impression of subservience will soon be at risk of being influenced by the executive powers and deprived of its independence in practical terms. In light of the above, it should be a matter of course for any SAI and its representatives to take a firm stance and courageously defend its opinions!

Ultimately, however, SAIs should always remember that their independence—like the independence of the judiciary—is not an end in itself, but a means to an end: the objective and effective performance of their control functions, as stated in the Preamble to the Lima Declaration. If SAIs earn recognition for their objectivity and the quality of their audit activities, they will have no problem making their point and successfully defending their independence. Yet, even the best laws will not help SAIs to succeed unless they assume their own share of responsibility for the achievement of this goal.

VIII. Summary

1. The SAI's independence from the government and the executive powers subjected to its audits in organizational, functional, and financial terms constitutes the central concern and the greatest good of government audit.
2. Such independence does not, however, exclude the possibility of cooperation between government audit and the executive powers, provided it is based on equal rights.

3. The independence of the SAI and its members must not be limited to a formal statement of intent but has to be guaranteed through appropriate legal safeguards.
4. The degree of SAI independence depends on the degree of democratization of the state concerned.
5. SAIs and Parliaments complement each other in their control functions and are therefore pursuing the same goals, which results in a convergence of interests between government audit and the legislature.
6. Given that a certain degree of government domination over Parliament cannot be excluded in political practice, the basis of cooperation between Parliament and the SAI—which ideally takes place in a framework of equal rights—may be impaired, to the disadvantage of the latter.
7. To counteract this danger to the autonomy of the SAI, the SAI's independence must also be secured vis-à-vis Parliament.
8. The very fact that not all SAIs have reached the degree of independence required by the Lima Declaration presents a continuous challenge for INTOSAI and its bodies to strive to improve this state of affairs.
9. Donor states and international donor organizations are also taking a growing interest in the independence of SAIs in developing countries to guarantee an objective audit, free of government influence, of the use of funds.
10. SAIs must assume their own share of responsibility for preserving their independence.



The Benefits of INTOSAI to Supreme Audit Institutions

Dr. Arturo González de Aragón, Auditor General of Mexico

I shall begin my presentation by expressing my deep gratitude to Dr. Franz Fiedler, President of the Austrian Court of Audit and Secretary General of INTOSAI, for his kind invitation to participate in this ceremony celebrating the 50th anniversary of INTOSAI.

I would also like to express my appreciation for the warm hospitality offered by Dr. Árpád Kovács, President of the State Audit Office of Hungary and First Vice-Chairman of INTOSAI.

Without a doubt, all of us here are indeed fortunate to come to this fine country of Hungary and this historical city of Budapest for such an outstanding occasion, when INTOSAI has attained half a century of continuous efforts to improve the audit and accountability of governments in each of our countries.

Both Hungary and Mexico have experienced and suffered the effects of aggression from superpowers and, on several occasions, have seen possibilities for the development of their peoples sacrificed because of unfavorable historical conditions that have even meant the loss of significant portions of their territories. We therefore salute the bravery and pride of the great Hungarian people with admiration and respect.

INTOSAI has become a fundamental, strategic organization for the assessment, auditing, and development of public policies. Growing from the 34 countries that started on this road in the year 1953, to an organization that now includes 185 members, there have been a great number of accomplishments and renewed goals in which we all have taken part. INTOSAI is a global organization that should deem itself part of the rich heritage of all the peoples of the world.

The Lima Declaration of Guidelines on Auditing Precepts, endorsed during the 9th international Congress, stands among the central contributions that INTOSAI has made to auditing, and has allowed us to improve our ability to serve society; it establishes the philosophy and framework of auditing.

The Lima Declaration also sets out guidelines and principles that are reflected and reproduced today in the constitutional and legal frameworks of many of the member countries.

Thus, we can say that INTOSAI has established the basic criteria and standards needed to forge the path towards better supreme auditing and a substantial improvement in government management.

As an organization that today extends its activities all over the world, INTOSAI cannot concentrate its efforts on one single theme or one specific area. Therefore, INTOSAI's seven regional groups are an additional way of approaching the characteristics of each geographical zone, resulting in a better and greater exchange of shared experiences.

These regional groups—the African Organization of Supreme Audit Institutions (AFROSAI), the Arab Organization of Supreme Audit Institutions (ARABOSAI), the Asian Organization of Supreme Audit Institutions (ASOSAI), the Caribbean Organization of Supreme Audit Institutions (CAROSAI), the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), the European Organization of Supreme Audit Institutions (EUROSAI), and the South Pacific Organization of Supreme Audit Institutions (SPASAI)—have all become fundamental structures for INTOSAI's operations.

The organization's committees and working groups, which aim to develop analyses, research, and guidelines on specific audit themes, are especially relevant for INTOSAI. Among them, we can point to the Auditing Standards Committee, the Committee on Internal Control Standards, the Committee on Accounting Standards, the Committee on IT Audit, and the Public Debt Committee, as well as the Working Groups on Privatization and Environmental Auditing, Program Evaluation, and Audit of International Institutions and the Governing Board Task Force on Strategic Planning.

Audit institutions receive countless benefits from these efforts, and therefore we must reiterate our permanent gratitude to the organization that has made them possible.

In all of our countries, the changes and challenges that society has faced for many generations lead us inevitably to reflection. Indeed, new answers have been found to old problems of public service; at the same time, unexplainable delays prevail, along with new forms of corruption.

These delays and the phenomenon of corruption are not specific to any one political regime or to any given country. The most striking example of this is the financial fraud in large multinational corporations that occurred in 2001 and reflected the unacceptable behavior fostered by large-scale economic interests.

Mexico has had the honor of chairing the Public Debt Committee since its creation in 1991. This committee's main goals are research, drafting and dissemination of

technical documents, and training in public debt audit, in order to promote transparency and accountability among INTOSAI members.

With regard to training, due acknowledgement must be given to the decisive support we have received from the INTOSAI Development Initiative (IDI), which facilitated the preparation and content of public debt training programs offered in several Latin American countries this year.

The weight of public debt in emerging countries compromises state resources in such a way that social welfare, education, employment, and security policies are seriously affected. In some cases, this means having to defer the attention required by issues such as pensions and social programs.

For countries to achieve the necessary financial balancing of their economies, the scope, solidity, and capability of public debt audit programs have to be widened and a rigorous analysis made of their origin, legality, recording, management, payment, and accountability.

All these are issues that the auditing bodies must address with the utmost care and responsibility. At the Public Debt Committee Annual Meeting which took place in June 2003 and the Regional Workshop for Public Debt Auditors held in April, May, and June 2003 in Mexico City, the SAI of the United Mexican States presented an analysis of the auditing activities on this subject.

These analyses revealed that even though the size of the Mexican securitized debt, considered as a proportion of GDP, is one of the smallest within the Organization for Economic Cooperation and Development (OECD), in absolute terms it is one of the highest among emerging economies.

Nevertheless, the situation is different as regards contingent debt, in which there are omissions and legal voids that will not allow an adequate auditing and assessment of its risk or of the policies for sustaining this debt. The composition of this debt is another element to be considered because it includes, among other items, pensions, deferred investment projects, and various potential costs assumed in respect of other items.

Over the last decade, the Mexican government, like governments in other parts of the world, had to intervene in order to rescue the country's payment system. The economic crisis that triggered the bank rescue threatened the savings of millions of Mexicans and, since then, has seriously endangered the nation's public resources.

In this respect, the SAI of Mexico has made very considerable efforts to promote transparency and guarantee to society that the resources devoted to the banking

system rescue were spent in compliance with established standards and procedures and in complete accordance with the law.

It is therefore a duty of SAIs to act as promoters of the transparency and continual improvement of public services, as well as guarantors for society in general that public resources are collected, managed, and allocated honestly, economically, and efficiently.

INTOSAI members must always bear in mind that the fundamental asset of audit institutions is their political neutrality. While we share the state's goals, we must—regardless of individual or group interests and with great political sensitivity—essentially serve the higher interests of the nation.

In accordance with one of the principles that reigns within INTOSAI, the exchange of our experiences aims to improve the performance of the organization's members so as to gradually eliminate the main sources of corruption.

Starting in 2002, the institutional focus the SAI of the Federation of Mexico adopted to contribute to improved government performance is supported by a strategic vision covering the following nine priority areas.

1. Efficiency and Effectiveness of Public Action

This area involves the elimination of bureaucratic excesses, unnecessary formalities, and discretionary decision-making that foster inefficiency and corruption. Therefore, it is necessary to establish schemes that simplify administration and encourage transparency and productivity.

2. Best Practice in Government

The SAI must become a facilitator of quality in public management rather than an institution that punishes and penalizes irregularities. The proactive idea of auditing is related to the establishment of effective control systems that not only prevent illegal acts, but also pave the way for improvements in government practices.

3. Security of Employment for Public Servants

This area focuses on the establishment of professional civil service models so that public servants have the job stability needed to adequately perform their duties, thus avoiding a concept of public office centered on personal interests.

The adoption of professional civil service models is part of a strategy to encourage the ethical behavior of public servants and excellence in their institutional performance.

4. Performance Evaluation Systems

It is imperative to promote the creation and operation of adequate performance evaluation systems based on strategy, performance, and service indicators that allow supervision and assessment of the goals achieved by public institutions as well as the performance of public servants.

The establishment of indicators and performance parameters will allow a systematic and objective assessment of the impact of public policies as well as their economic and social benefits.

The implementation of performance audits must also include the impact of activities and programs on environmental protection. Promoting deeper respect for environmental standards is a priority task the main SAIs of the world have undertaken; it is also a general need of society and a legitimate demand by upcoming generations.

5. Supervision and Control Mechanisms for Public Management

This area focuses on organizing supervision and control schemes to ensure that the budget and accounting records of public bodies include all operations and are duly kept up to date in order to strengthen the accountability process and, at the same time, to have timely and reliable information for decision-making. The adoption of preventive and corrective actions that preclude the recurrence of irregular situations must be a permanent aim of SAIs.

6. Potential for Improvement

The identification of potential ways to enhance productivity, economy, and transparency in the use of public resources must be a constant part of audit institution activities. It is possible to correct weaknesses that have been detected by using capabilities and resources to acknowledge institutional strengths and identify vulnerable aspects.

7. High-Impact Auditing

This involves the optimization of audit planning and programming to maximize their scope, with the aim of augmenting the audit sample in relation to the total public budget, and thereby reinforce the accountability process.

8. Culture of Accountability

This involves promoting clear and transparent accountability in every sphere, level, and function of public administration as a fundamental pillar of democracy. Public servants are held accountable to society because they administer society's resources. Accountability must be public, since the resources being managed are public.

Accountability is the link that maintains the legitimacy of democratic states; it is one of the mechanisms without which it would be impossible to maintain the balance of power in government.

9. Introduction of Moral and Ethical Values in Public Educational Programs

It is essential to raise citizens' awareness of civic responsibilities. This requires an additional effort by political actors at every level of government management, especially in the field of education, in order to help raise and strengthen people's ethical and moral values.

In order to bring about a qualitative change in public administration, educational programs must be revised and strengthened at every level. Ethical and moral values are, by themselves, the best preventive measures against corrupt practices.

Let us recall the words of a great twentieth-century Mexican, Professor José Vasconcelos, who said: "We must educate the child so that we don't have to punish the adult."

These are the nine strategic areas that the SAI of Mexico holds as priorities in its efforts to fight corruption and foster transparency, efficiency, and effectiveness in the use of public resources. This must be a constant and sustained effort in order to achieve meaningful results.

The state cannot and must not be amoral, nor can it or must it omit, silence, or disregard the scale of moral values underlying the present legal framework. To do so would be an attack on its very legal structure because morality expresses itself in the legal forms that uphold the exercise of public power.

The essence of the contemporary state and the political philosophy that legitimizes it must involve the improvement of the individual. The state must become a medium for, rather than against, the individual because it is the individual who ultimately justifies its existence.

It is opportune to remember here the values that, a millennium ago, Stephen of Hungary tried to transmit, emphasizing the value of tolerance and ethics as the fundamental principles of the conscience of a head of state.

Experts in philosophy have stated that ethics provide the basis of man's actions in his life, his character, his habits, and the moral values that determine his destiny.

Ethics in institutions require constant discipline as well as shared values and principles. Ethics in public service mean the responsible safeguarding of the common interest.

INTOSAI is today part of the heritage of the world's peoples, for it has helped to promote bonds of understanding, institutional communication, and economic and social development by means of its contribution to the improvement of government audit and accountability. If the pluralistic world in which we live today is better than the world in 1953, when INTOSAI was formed, we can truly say that this organization has helped considerably toward that end.

Thanks to INTOSAI, we have learned that our mission means devoting our main efforts to the welfare of the societies that have entrusted us with the great responsibility of serving others. Let us always bear in mind that the supreme value of society is the human being.

George Lukács, the great Hungarian philosopher of the twentieth century, said that duty must not show itself as being misplaced in a reality of a completely different nature. It might as well emerge from the contradictory identity of essence and appearance. He also said to be yourself, be essential, and grow despite the disturbing influences of the world; be what lies within yourself as your core and essence, and be what perennially dwells and pulsates within yourself.

In public management, as well as in the central aspects of life, we should not worry about our longevity, but about living our time satisfactorily; longevity depends on destiny, but living with dignity depends only on our ethical and moral values.

Therefore, let us every day build the present time with certainty in order to arrive at a future with promise. Most of all, we must not renounce our capacity to dream, be enterprising, work, and seek the way forward with hope to achieve a distribution of wealth and equity in development opportunities for all countries.

In the immediacy of present-day human thought, corruption is the worst cancer; it erodes the fundamental values of mankind and is responsible for the deterioration of the quality of societal life.

The shortsightedness of modern thinking proclaims the satisfaction of material needs without understanding that the true meaning of life lies in ethical and moral values, the only ones that provide satisfaction and fullness to the spirit.

Let us carry on our reflections and let us carry out our duty with the conviction that serving others is a privilege that justifies man's existence.





Proceedings of INTOSAI's 50th Anniversary Celebration

Anniversary Ceremony





Opening Address

Dr. Árpád Kovács, President of the State Audit Office, Hungary

I am deeply honored to have the opportunity to open the afternoon session of the 50th anniversary celebration of the founding of INTOSAI.

I believe—and I am convinced that you share my opinion—that this commemoration of INTOSAI's founding is very meaningful to the leaders and officials of Supreme Audit Institutions.

I am also convinced that you share my opinion on the role of SAIs. Namely, regardless of the type of SAI in a given country—whether a court of audit or audit office organization—the work and operation of the SAI can have a significant and decisive influence on the management of public finances and the safeguarding of taxpayer money in the respective country.

However, the fact that SAIs have a professional organization at the international level, thus making the international auditing community an organized force, has special importance.

These questions rightfully emerge: What is the impact of this organized pooling of forces, of this well-ordered international cooperation? What are the results that enhance the respect for and the development of SAI activities? In which areas can SAIs detect the impact and advantages mentioned?

First, let me mention the worldwide coordination and promotion of professional improvements in state auditing and, naturally, the resulting impact. The technical themes that are worked out in the Congress sessions and that result in approved recommendations provide the most important guidance to assist us in our work. For example, the 15th INCOSAI held in Cairo in 1995 adopted recommendations on environmental issues and, as a result of this, an increasing number of environmental audits, some of which are conducted concurrently, have been performed in different regions of the world. In Hungary, the State Audit Office (SAO) is presently conducting a concurrent audit with our Austrian colleagues on the environmental situation in the Lake Fertő region, which lies on the border of the two countries. The Cairo recommendations also resulted in the setting up of regional INTOSAI working groups designed to develop environmental audits that are tailored to the needs of the regions.

Further, let me mention the Uruguay recommendations, adopted in Montevideo at the 16th INCOSAI, which identified the tools for combating corruption. In this context, I must also mention the INTOSAI Code of Ethics that was approved at the Montevideo Congress and published with the Auditing Standards. It constitutes an

adequate basis for the fight against corruption in the INTOSAI member states. In accordance with the Code, the SAIs of INTOSAI member states, including the Hungarian SAO, have drawn up their own Code of Ethics, paying due attention to unique national characteristics.

The auditing, accounting, and internal control standards developed by INTOSAI must be mentioned in conjunction with the organization's impact on the audit profession. Because of their "living document" character, they are very important components of public audit. I am convinced that efficient modern public audit work would be impossible without these standards.

Regarding professional activities, I should refer at this point to the techniques INTOSAI uses to involve its SAI members in technical work. Primarily, I am thinking of the activity of its standing and ad hoc committees, working groups, and task forces. Engagement in the activities of these bodies is quite important. It facilitates the evolution of professional work and ensures the possibility of establishing indirect contacts between experts on professional issues to exchange expertise, knowledge, and information. This interchange exerts a positive impact on the officials of the SAIs and on their professional development.

Speaking now on behalf of countries whose national languages are not one of INTOSAI's working languages, I would like to say that the aforementioned professional bodies of INTOSAI enable SAI officials from these countries to take part in the work of smaller, professional communities and participate in discussions or deliver presentations in these smaller groups by using an INTOSAI working language. In this way, the smaller professional communities offer a forum to bridge what we might call the "communications gap."

In view of the usefulness and significance of the activities mentioned above, we attribute great importance to INTOSAI's role as facilitator of an international forum.

In connection with INTOSAI's professional impact, I would highlight the IDI training activity implemented within INTOSAI. This activity offers the possibility of disseminating the most up-to-date professional skills and audit techniques. We in Hungary are pleased to assist the IDI activity by providing instructors.

Regarding the results of training activity, one must mention the large-scale support targeted to developing countries and being implemented through different training programs with the cooperation of INTOSAI. We are pleased to acknowledge that the programs also cover the public audit system of the Central and Eastern European countries that have undergone political and subsequent economic changes.

The next positive feature of INTOSAI that I would mention is its impact through providing good examples and shaping the attitude of auditors.

In this connection I have in mind INTOSAI documents that have a decisive impact on the outlook and attitude of auditors. This is particularly true of the Lima Declaration, which gives an exemplary overview of up-to-date auditing and the most important components, features, and requirements of SAI activities. With its definitions, the Lima Declaration sets the framework and space in which SAI work is to be implemented and in which its activities evolve.

Without going into detail, I would like to express my opinion that the postulates and components of the Lima Declaration—for example, the independence of SAI audits, the relationship with Parliament and government, financial independence, audit mandates, the formulation of different types and procedures of audits, and requirements for drafting audit reports—are all important elements of audit attitude and awareness. Without them, we could not do our work properly.

As a further impact of INTOSAI, I should mention that its existence increases and enhances the respect for the international community of SAIs.

There is no doubt that an INCOSAI is an important event for the host country as well as for the respective region. The media take notice of Congresses, and the head of state, speaker of Parliament, and other high-ranking officials of the host country appear among the prominent guests. At such times, public attention and interest focus on audit activity.

The outstanding importance of Congresses is shown by the participation of the most illustrious international partner organizations at the sessions. Representatives of the United Nations, the World Bank, the European Union, and NATO, among others, are usually present at the Congresses, along with delegates and observers of other related professional organizations, such as the International Federation of Accountants, the Institute of Internal Auditors, and the International Consortium on Governmental Financial Management.

In conclusion, I would say that INTOSAI brings SAIs out of their isolation, ensures that they receive the respect they are due, and enables them to take a part in audit life on the international stage.

The practical fulfillment of INTOSAI's character as an international forum is very important and has an important impact on SAI development. It offers the opportunity to establish professional contacts within the framework of international cooperation. Professional meetings under the auspices of INTOSAI and the joint activity conducted in its committees, working groups, and task forces provide excellent opportunities to get to know colleagues and develop professional relationships.

For example, Hungary is a small country and would have only modest opportunities to establish these professional relationships if there were no international organization enabling us to establish contacts with experts from other countries. Through the assistance of INTOSAI, we have been able to learn about the audit work of distant countries. I could also cite examples of successful bilateral cooperation on professional activities that we established based on multilateral cooperation within INTOSAI. Naturally, I should also mention the many opportunities that INTOSAI provides to establish friendly and personal contacts between the officials of different SAIs.

I should also refer to the positive impact of the information sharing that has been achieved through the establishment of INTOSAI and in which the *International Journal of Government Auditing* plays a major role.

While the primary focus of the *Journal* is professional information, it also includes articles on different types of audits; introduces the operation, structure, and major personnel changes of SAIs; and features recent audit-related publications of SAIs in different parts of the world. Through the news and announcements communicated, we learn of major changes taking place within the international auditing community.

We must not forget INTOSAI's impact on improving performance. The awards named after Jörg Kandutsch and Elmer Staats have motivated individual SAIs and their officials to better performance in the field of auditing and mutual assistance.

Finally, let me speak about the positive impact of INTOSAI's posture as a non-political entity in the international cooperation of SAIs. At present, when there are so many problems in the world and its peace is affected by countless negative phenomena, it is still refreshing that in INTOSAI, all SAIs are equal, regardless of political system, form of government, color of skin, or racial origin, and the membership requirements are of a purely professional nature.

With your permission, let me mention some of the challenges INTOSAI member SAIs will have to face and resolve together in the future:

- The development of integration processes, which are currently present in much of the world, will be among the most important challenges ahead of us. One of our most important tasks will be to find the right aims of the ever-strengthening audit work that is addressing needs emerging from this integration.
- Finding and developing new ways to battle corruption will continue to be an important role and task for INTOSAI.
- There is an ongoing need to develop ethical principles—in other words, not allowing ethical rules to become outdated. INTOSAI should strive for ethics to

address changes and social transformations. I am convinced that integration will create completely new requirements and expectations for auditors and public servants.

- The further development of the information society will raise the issue of how related auditing tasks should be used and developed.
- INTOSAI should also support and assist the development of other audits, especially in relation to strengthening internal control, which will raise further issues and problems to solve.

Distinguished guests, ladies and gentlemen, in view of all that I have spoken of today, I believe that we can affirm that INTOSAI has indeed fulfilled the mission that its “founding fathers” had for the organization 50 years ago. I am convinced that further successful years are in store for the cooperation of Supreme Audit Institutions for another 50 years or more as we address a long list of auditing challenges through mutual cooperation.



The Relationship Between Supreme Audit Institutions and Parliament

Dr. Ferenc Wekler, Speaker of the Hungarian National Assembly

It is a great honor for me to greet you on this festive occasion that was organized to celebrate the 50th anniversary of the founding of INTOSAI.

First of all, allow me to start my welcome speech with a remark: as the vice-president of the Parliament of the Republic of Hungary, I deem the State Audit Office a very important institution, a determining basis for democracy, a supporting pillar of the democratic state.

Also, as a Hungarian citizen, I am certain that the State Audit Office is the supreme and efficient controller of the economic activity of state organizations and the utilization of the state's financial resources. I am convinced that the majority of the Hungarian people share this view.

All of us know that a significant percentage of public money, the financial resources used by the state, is made up of taxes paid by the citizens, the taxpayers. Therefore, it matters how these amounts are utilized by the state—whether the state wastes them or, instead, takes into account the needs of the population in developing the economy, education, public health, national defense, and other areas required for the sound growth of society.

Naturally, we are aware that monitoring and auditing the course of economic events is not an easy task. During the past decades, audit activity has developed significantly, since it must adjust to social and economic transformations.

Monitoring transformations and developing audit methods requires cooperation. I am sure that the evolution of different audit approaches cannot be realized by the activity of only one audit office. That office must join forces with others.

I think the suitable framework for this work is provided by the International Organization of Supreme Audit Institutions, the INTOSAI that was established 50 years ago by the leaders of the audit offices of that time.

As the vice-president of the Parliament, I also appreciate the activity of the State Audit Office as I experience it during my everyday work.

It is important for me—and I think it is the best and definitive impact of INTOSAI—that the character and the legal status of the State Audit Office, as well as its independence, are stipulated by the Constitution of the Republic of Hungary based on the Lima Declaration. In my opinion, the principle formulated for the activity of audit offices has a profound significance. It declares the autonomy, high degree of initiative, and organizational and functional independence of the audit offices.

As I have already mentioned, I can see in my everyday work the results of the cooperation between the Parliament and the State Audit Office. This cooperation can be realized, in my opinion, through the observance of INTOSAI principles and recommendations.

Let me explain a bit further the relations between the Parliament and the State Audit Office. I would describe our connections as close and fruitful. I would say that the reports of the State Audit Office, the statements involved, consequences, and recommendations contribute to the enforcement of the legislative and controlling function of the Hungarian Parliament.

The State Audit Office gives account of its audits in an average of 40 reports a year. Moreover, it reports in a different comprehensive and analytical report on the earlier recommendations of the audit office as well as on the activity and development of the organization. The reports are discussed by the plenary sessions of the Parliament and/or standing committees and, from time to time, by subcommittees and investigating committees.

The most important forum for the cooperation between the Parliament and the State Audit Office is the Audit Committee of the Parliament. It takes part in the discussions about not only the legal rights and obligations and audit agenda of the State Audit Office, but also the audit plan, the annual report, the institutional budget recommendation and its implementation, and the audit strategy.

The future development of the cooperation between the Parliament and the State Audit Office is found in the agreement reached between the offices of the Parliament and the State Audit Office at the end of 2002. I think this agreement aims to meet the requirements of the 21st century information society. It facilitates comprehensive access to the programs and reports of the State Audit Office through the Parliament's information network. Legislation-related thematic materials help the work of the Parliament. Furthermore, the General Secretariat of the Parliament keeps on record the recommendations regarding legislation and amendments made in the State Audit Office's annual report.

Based on the agreement, certain authorized colleagues of the State Audit Office may directly connect to the Parliament's information system. The agreement plans to

create a database that includes the state budget information and the audit statements produced either by the Parliament or the State Audit Office.

I am sure that the joint activity regulated by the agreement will strengthen the work of the Parliament and the State Audit Office. Furthermore, I am convinced that this closer agreement, which meets the requirements of the 21st century and utilizes its information and technological results, will also contribute to the work of audit.

In conclusion, I believe that I have succeeded in summarizing the essence of the cooperation between the Hungarian Parliament and the State Audit Office as well as indicating the positive and definitive impact of INTOSAI on the relations between the Parliament and state auditing.

The above-mentioned impact that fosters the cooperation of the legislative body and the audit office is a very important means of democracy. In my opinion, the audit activity of the State Audit Office—subordinate to popular representation but independent in its work—is a basic and efficient method of parliamentary democracy. The relations between the Parliament and the Audit Office are suitable, and the cooperation functions well since we have adapted the international experiences accumulated within the INTOSAI framework to our domestic circumstances.

Finally, I would like to take this opportunity to wish further success to INTOSAI and the international community of auditors.



Fifty Years of INTOSAI

*Dr. Franz Fiedler, Secretary General of INTOSAI
and President of the Austrian Court of Audit*

Looking Back to the Beginnings of INTOSAI

In a few days, it will be 50 years since INTOSAI, the International Organization of Supreme Audit Institutions, held its first Congress in Havana, Cuba, which gave birth to this organization.

Fifty years ago, the status of government audit and of Supreme Audit Institutions (SAI) was significantly inferior compared to the present. Some countries did not have any government audit institutions deserving that name at all. Most of the SAIs that could be described as well functioning were endowed with limited authorities. More often than not, they were limited to performing financial audits and a long way from comprehensive auditing. This more or less subordinate position of SAIs in their national constitutional set-ups also affected the international arena, as a separate international platform that would specifically cater to the needs of government audit did not exist. SAIs had to be content with taking part in the international congresses of administrative science as a mere appendix.

In 1953, Dr. Emilio Fernandez Camus, then president of the SAI of Cuba, put an end to this highly unsatisfactory state of affairs. As a result of his commitment and farsightedness, 34 SAIs gathered in the Cuban capital in November 1953 for the first Congress of INTOSAI, asserting in a most remarkable manner the independence of government audit in the international arena. In this context, it is interesting to look at the themes that the delegates addressed at that time. Some of the issues the first Congress in Havana dealt with have remained topical up to the present day, such as the importance of government audit being independent from the executive and other bodies subjected to audit, the role of SAIs as financial advisers of the state, or the relations between SAIs and the legislature. Others are less important or completely irrelevant for modern-day SAIs, such as pre-auditing of government revenues and expenditures.

The association formed 50 years ago in Havana constitutes an important milestone in the history of the international cooperation of government audit institutions. Inspired by the idea of pooling know-how gained from practical audit experience on different continents and making it accessible to all interested SAIs, the young INTOSAI selected a Latin motto, *Experientia mutua omnibus prodest* ("Mutual Experience Benefits All") as its guiding principle, one which still directs its course today. Thus, INTOSAI professed its intention to contribute to improving audit on a global scale by the transfer and multiplication of know-how.

Just as each individual SAI derives its strength from the powers of its arguments and less—or not at all—from the possibility of using executive force, so INTOSAI builds on persuasion.

Throughout its existence, INTOSAI has observed a number of basic principles, the most important of which are the following:

- Equal rights of all its members, which allows every SAI access to a leadership function in INTOSAI. In its legal and organizational set-up, INTOSAI does not provide for an exclusive circle of SAIs of particularly prosperous, powerful, or otherwise influential states.
- Consideration for those SAIs that—for whatever reason—have not yet achieved the desired state of development. It must always be a concern of INTOSAI to help those members catch up. This principle, therefore, rejects any trends to the contrary that, in effect, result in advocating an “INTOSAI that operates at two speeds,” i.e., widening the gap between more developed and less developed SAIs within INTOSAI. The implementation of open or covert measures toward that end is therefore rejected.
- Independence. Just as every SAI needs to safeguard its independence vis-à-vis the government of its state as the ultimate asset in the effective delivery of its control function, so INTOSAI as an organization must be vigilant in the international arena not to become dependent on other institutions. INTOSAI is not a rich organization; it operates almost exclusively on the contributions of its members. On occasion, it might be tempting to attract wealthy states or other donors for financial contributions; however, care must be taken to avoid putting INTOSAI’s independence at risk. Nothing would impair INTOSAI’s credibility more than if it became a vehicle for donors who used the organization for their own particular interests. INTOSAI need not shun international cooperation. It has furnished proof of this fact time and time again in the course of its history, most prominently in the excellent relations it maintains with the United Nations and its suborganizations. However, it must always ensure that this form of cooperation is carried out in the spirit of equality. Like its members, INTOSAI is accountable not to governments and financially powerful institutions, but to taxpayers in whose interest it unfolds its activities.
- Nonpolitical orientation. Not interfering in political disputes is a tenet that is valid for individual SAIs as well as for INTOSAI as a whole. Therefore, INTOSAI must never subordinate its activities to political objectives that may have been imposed by third parties. The fact that—in positive contrast to other international organizations—disputes have never arisen between its members throughout the 50 years of its existence—although these represent states with the most varied social and political systems—is largely due to INTOSAI’s policy of noninterference, as is rightly laid down in article 1, paragraph 1 of its Statutes.

How INTOSAI Has Developed

INTOSAI, which had a limited membership of 34 SAIs in 1953, soon experienced vibrant growth. Contributing factors were worldwide decolonization followed by the foundation of new states and the concomitant establishment of government audit institutions.

Clearly, this dramatic increase in membership had an impact on the structures of INTOSAI and required a wider organizational basis, resulting in the establishment of a permanent General Secretariat at the seat of the Austrian Court of Audit in Vienna, the foundation of the regional working groups, and the establishment of committees and working groups.

Over time, both the regional organizations and the committees and working groups that were assigned specific themes for study came to be the think tanks of INTOSAI. The basic documents that they elaborated on a range of subjects over the course of time are generally recognized as, and have turned out to be, practice-oriented guidelines for the day-to-day audit work of INTOSAI members.

A second wave of new INTOSAI members was prompted by the dramatic change of the political situation in Central and Eastern Europe. On the one hand, many new states were formed; on the other hand, the process of democratization led to the establishment of independent SAIs that applied for membership in INTOSAI. This posed an enormous challenge for INTOSAI, as it now had to convey to the new members, the majority of whom did not have much practical audit experience, the state of the art of government audit and INTOSAI's catalogue of values. This was achieved in a surprisingly short time owing to the INTOSAI membership's openness to fruitful cooperation and the remarkable efforts undertaken by SAIs in the transition states to raise the level of their audit work as quickly as possible to modern standards. INTOSAI and its members were able to demonstrate most impressively that its commitment to an exchange of experience would not be exhausted in void, verbal assurances, but actually lived out in practice. Nothing could testify more eloquently to the success of INTOSAI than the fact that a number of transition countries will soon be acceding to the European Union and that Brussels has found their SAIs to have reached community standards.

The INTOSAI Development Initiative (IDI), founded in 1986, was able to achieve equal success. Its task was to support the advancement of SAIs, mainly in developing countries. For this purpose, IDI staged training programs, skill building and enhancement courses, and train-the-trainer programs, largely in cooperation with INTOSAI's regional working groups. At the outset, the operations of IDI were run by the SAI of Canada; in 2001, IDI was transferred from Canada to the SAI of Norway. In accepting this demanding responsibility, both SAIs have earned their merits for addressing concerns of government audit in the spirit of INTOSAI.

INTOSAI has succeeded in creating public awareness about the significance of government audit for the entire state. In today's world, where virtually all states are threatened by the "dictate of empty coffers," the idea of doing away with SAIs is inconceivable; 50 years ago, this understanding had not yet been rooted firmly.

As the significance of SAIs' work has grown over the past 50 years, their audit mandates have been extended. Today, SAIs are not primarily concerned only with financial auditing, but with comprehensive auditing, including performance auditing. In several events, INTOSAI made a decisive contribution and empowered its members by giving them the required tools and know-how to cope with the increasingly demanding tasks they are faced with.

Most important, INTOSAI, at its 9th Congress in Lima in 1977, adopted the Lima Declaration of Guidelines on Auditing Precepts (the so-called Lima Declaration), which is a fundamental document on all objectives and problems related to government audit and the required guarantees for SAIs. This document has been rightly called the Magna Carta of government audit. The Lima Declaration first and foremost aims at the independence of SAIs from audited entities and at protecting this independence through appropriate legal safeguards. INTOSAI has always devoted attention to achieving this objective, not least through the establishment of a separate task force in 1998, whose tasks were assigned in 2001 to a subcommittee chaired by the SAI of Canada.

Acknowledged for its merits, INTOSAI for many years has been sought as a cooperation partner. The annual seminars held at the seat of the INTOSAI General Secretariat together with the United Nations, as well as joint events with SIGMA (Support for Improvement in Governance and Management in Central and Eastern European countries), the World Bank, different regional development banks, and other international organizations bear eloquent testimony to such cooperation and are an expression of how its achievements receive the tribute they deserve and enhance the position of government audit worldwide.

Fifty Years of Achievements

If we revisit INTOSAI's history over the past 50 years, INTOSAI and its membership can be proud of what they have achieved:

- Membership has increased from the original 34 Supreme Audit Institutions to 185, almost equal to that of the United Nations.
- Through the year 2001, 17 Congresses were hosted on five continents; a total of 139 delegations attended the most recent one in Seoul, Korea.
- Seven regional working groups were set up between 1965 and 1990.

- Between 1984 and 2001, nine committees and working groups were set up.
- INTOSAI was granted the status of a nongovernmental organization of the United Nations and special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.
- The *International Journal of Government Audit* has been published quarterly since 1974 under the aegis of the SAI of the USA. It is currently published in INTOSAI's five official working languages (Arabic, English, French, German, and Spanish).
- Since 1971, the General Secretariat has organized 16 training seminars together with the United Nations.
- A specialized journal for IT auditing (*intoIT*) has been published since 1995.
- Thousands of auditors have been trained and familiarized with state-of-the-art audit methodologies in events staged by the General Secretariat, IDI, the regional working groups, and other INTOSAI bodies.
- The following basic documents have been elaborated, mainly by the committees and working groups:
 - Glossary of Selected Terms and Expressions in Government Audit;
 - Auditing Standards, which have been put to use in a modified form for the audit work of SAIs in the European Union;
 - Guidelines on Internal Control Standards;
 - Accounting Standards;
 - Guidance on the Reporting of Public Debt;
 - INTOSAI Code of Ethics;
 - Guidelines on Best Practice for the Audit of Privatizations;
 - Guidelines on Best Practice for the Audit of Public/Private Finance and Concessions;
 - Guidelines on Best Practice for the Audit of Economic Regulation;
 - Guidance on Conducting Audits of Activities with an Environmental Perspective; and
 - Internal Control: Providing a Forum for Accountability in Government.

This listing documents INTOSAI's many-sided approach and gives ample evidence of the practicality of its documents and its openness vis-à-vis issues of the modern world. This is particularly true for areas such as information technology and the privatization of state-held companies, topics that have acquired particular significance in the last decade, as well as the audit of government programs—or the lack of such programs—in the field of environmental protection.

The issues INTOSAI has dealt with at its Congresses also reflect its proactive concern about present challenges; their relevance goes far beyond the remit of government audit. Themes of the two most recent Congresses in Montevideo (1998) and Seoul (2001) included the following:

- the experience and role of SAIs in preventing and detecting fraud and corruption;
- improving good governance through the work of SAIs;
- the role of SAIs in planning, implementing, and auditing government and administrative reforms; and
- the audit of international and supranational institutions by SAIs.

The Congress recommendations on these and other topics of deliberations significantly contribute to a sound, efficient, and effective use of tax money and have a considerable preventive effect in terms of avoiding the waste of public funds. Therefore, it would not be exaggerating to describe the impact of INTOSAI's work as priceless for the benefit of taxpayers in its member countries.

The full scope of INTOSAI's significance can best be ascertained if one were to imagine how government audit would have developed had it not been for INTOSAI. While government audit would certainly have developed without INTOSAI, such development would have been limited to individual SAIs. There would be no world-spanning forum for the exchange of ideas and experience and, most importantly, there would be no globally institutionalized entities such as those of INTOSAI that rapidly disseminate new advancements in the field of government audit and are capable of conveying them to other SAIs. New audit methodologies and audit technologies would take undue time to spread worldwide. Exchanges would have to be limited to bilateral contacts. A considerable number of SAIs would risk being cut off from development.

The absence of INTOSAI would make itself felt even more sharply with regard to the audit standards that have been laid down. Presumably, these standards would not exist at all, at least not in their present form, if audit experience were shared on a

purely bilateral basis. These audit standards were created by drawing on the wealth of knowledge and experience of not only a few, but of a significant number of SAIs.

Moreover, with INTOSAI and its bodies, government audit can count upon a universally heard voice for its members' concerns. Furthermore, INTOSAI is known to have always ascribed to calls for democratization and the rule of law. INTOSAI guarantees public awareness of the relations between government audit, democracy, and the rule of law. This ambitious postulate has not yet been fully implemented in all countries; it will, however, always pose a challenge for INTOSAI and its members.

INTOSAI can pride itself on many other achievements. Above all, it has proven that it can solve common problems of its members in a joint effort and spark or reinforce the impetus for the development of government audit. Especially in the present era of globalization, INTOSAI is a remarkably successful example of a viable, world-spanning organization.

Looking Ahead

The success INTOSAI has achieved, however, should not tempt us to be complacent and obstruct our view of future challenges. INTOSAI, like any other organization, must recognize the signs of the time and be prepared to face the changing framework conditions of its members; the new century that has only started portends a host of such changes.

In view of INTOSAI's history to the present, it does not seem justified to assume that INTOSAI will come to a standstill or lose its dynamic. Recent developments, in particular the Task Force for Strategic Planning established by the Governing Board and chaired by the SAI of the USA, are clear evidence that INTOSAI is planning to strategically reposition itself at a very fundamental level. Without anticipating the results of this task force, whose deliberations have not yet been concluded, it is fair to say today that several ideas are already being bred that may radically reposition INTOSAI in their wake.

In this process, the overriding objective of INTOSAI must be to heed the concerns of its members. In order to keep INTOSAI's maxim ("Mutual Experience Benefits All") relevant, INTOSAI must continue to develop in response to the changing framework in which SAIs operate today—but INTOSAI must not change for the sake of change. Here, I draw attention to international commitments with an economic or environmental effect that states have undertaken. In the interest of global environmental protection, it would be desirable if SAIs could focus the attention of the governments of their countries on the issues related to endorsing international environmental protection agreements and initiating their implementation. Specifically, the fact that a number of the most highly developed industrialized nations,

which generate enormous amounts of pollutants, have been found wanting in this area should be a challenge for the SAIs concerned to address these shortcomings and prompt INTOSAI to devote specific attention to these issues in the future.

Moreover, the growing interdependence of the public and private sectors is likely to bring about new tasks for SAIs. The audit of projects that are jointly operated by the public sector and private funders, such as public private/partnership models, is an absolutely new field of work for many SAIs. Here, INTOSAI can provide the required theoretical and practical know-how for its members. The same applies to cross-border leasing, a phenomenon which has mushroomed recently and is becoming an issue for SAIs.

Last but not least, INTOSAI and its members will have to address the issue of how to design relations with the SAIs of supranational communities of states, such as the European Union. In view of the growing significance of vast economic areas that comprise several states or even an entire continent—and which accordingly need extensive human and financial resources—the importance of audit institutions for these structures is growing. As a consequence, calls for establishing fruitful cooperation between supranational control institutions and the corresponding national SAIs have been voiced. Given its organizational set-up, INTOSAI would be in a position to offer an institutionalized and time-proven framework for the discourse between national and supranational control institutions.

Any strategic reorientation of INTOSAI should address these problems, which I have outlined by way of example, and find the basis for their solution.

INTOSAI welcomes a new, modern-day strategy, as it has never been an organization entrenched in outdated perceptions, but it must be a strategy undergoing permanent change. However, this change was never revolutionary, aiming at abrupt transformation, but evolutionary in nature, taking into account the interests of its members, as manifested formally in the regular amendment of the Statutes, and—what is more important—materially in the technical resolutions adopted by Congresses and Governing Boards. INTOSAI should therefore strive to achieve consensus to uphold the tried and tested values that have substantially contributed to its success so far.

Moreover, INTOSAI should always bear in mind that the core mission of its members is government audit. It would overtax the capacities of an SAI—and therefore cannot be its task—to stand up against all social shortcomings beyond the scope of its primary tasks, let alone those on a global scale. SAIs are not a substitute for law enforcement or public prosecution agencies. If it is part of their statutory mandates, SAIs may assist those institutions in fighting crime as part of their audit activity; however, they must never be called upon to replace those institutions.

Building on the joint, traditional values INTOSAI subscribes to, a strategic reorientation of the organization will be successful and endorsed by its members. This would ensure the required continuity of INTOSAI and guarantee its further development as an organization while avoiding any abrupt break. Heeding this tenet, we need not be concerned about the status and role of INTOSAI in the 21st century.

We should never forget that the achievements of INTOSAI depend on the commitment of its members. INTOSAI can only be as strong and influential as it is made by its members. As Secretary General of INTOSAI, I therefore wish to thank all those who have subscribed to the principles of INTOSAI in the past 50 years and displayed their commitment, in particular the members of the Governing Board; the chairpersons of the committees, working groups, subcommittees, and task forces; the chairpersons and secretaries general of the seven regional working groups; and those SAIs that hosted the previous 17 Congresses. The latter in particular deserve our special thanks, as they assumed a vast financial, administrative, and organizational burden by convening a gathering of the supreme body of INTOSAI.

Similarly, I wish to express my thanks and gratitude to the Hungarian State Audit Office, which will be hosting the 18th INCOSAI next year and to which we are indebted for today's event in commemoration of the 50th anniversary of INTOSAI. Personally, I wish to recognize you, distinguished Dr. Kovacs, as the President of the Hungarian State Audit Office. Moreover, I am delighted that today's festivities are held here in the Hungarian Parliament, as this testifies most impressively and eloquently to the close ties between government audit and Parliament in keeping with the intentions of INTOSAI.

I am deeply impressed by the presence of so many representatives of public life in Hungary as a manifestation of the broad interest of leading government officials in the work of government audit in general and that of the Hungarian State Audit Office in particular. On behalf of INTOSAI and on behalf of myself, I would like to thank you all for hosting this meeting in your Parliament building, which is among the finest in the world. Recognizing your vivid interest in the work of government audit, I take the liberty as Secretary General of INTOSAI and express my wish that you will also accord the Hungarian State Audit Office the support it deserves in the future.

By way of conclusion, I would not want to forget to thank the entire INTOSAI family, most of whom are not represented here today. Through their membership in INTOSAI, their active participation in its different bodies, and their endorsement of the values upheld by INTOSAI, they have made INTOSAI what it is today: an organization enjoying worldwide recognition for the benefit of taxpayers. In this awareness, INTOSAI will be able to continue its success story for the next 50 years!





Conclusion: INTOSAI's Future





An Introduction to INTOSAI's Strategic Plan

Mr. David M. Walker, Comptroller General of the United States, and Chair, Strategic Planning Task Force

As it marks its 50th anniversary, INTOSAI is issuing its first-ever strategic plan to guide its operations in the years ahead. In October 2001, at INTOSAI's 49th Governing Board meeting in Seoul, South Korea, a Strategic Planning Task Force was established. The full Task Force, whose members are Antigua and Barbuda, Austria, Burkina Faso, Korea, Norway, Peru, Saudi Arabia, Tonga, the United Kingdom, and the United States, met formally three times—in April 2002, October 2003, and December 2003—to develop a proposed plan. In addition, the Task Force sought the views of all Governing Board members, committee chairs, regional working group secretariats, and all INTOSAI members in developing the final proposed plan that is being presented for approval by INTOSAI's members at the 18th INCOSAI in Budapest, Hungary, in October 2004.

As shown on the “Overview of the INTOSAI Strategic Plan” that follows this introduction, the plan includes an updated mission and vision statement, four key goals, and several core values to guide the organization's efforts in the future. The plan's first goal is to promote strong, independent, and multidisciplinary SAIs and to help develop and encourage the adoption of effective professional standards. The second is to build the professional capabilities and capacities of SAIs through training, technical assistance, and other development activities. The third is to promote SAI cooperation, collaboration, and continuous improvement through knowledge sharing (including benchmarking), best practice studies, and research. The fourth is for INTOSAI to become a model international organization that leads by example.

The proposed plan is anchored in the core values of independence, integrity, professionalism, credibility, inclusiveness, cooperation, and innovation, and gives due consideration to the national sovereignty, diversity, and equality of every one of INTOSAI's member states.

INTOSAI's strategic plan is evolutionary rather than revolutionary. INTOSAI is seeking to chart a course for its future that builds on the successes of its past. Careful consideration has been given to what has worked, what could be improved, and what changes are needed to help members cope with the increasing demands and expectations facing SAIs in the 21st century. All members are invited to implement the strategic plan within the limits of their specific mandates and authorities and according to considerations of national sovereignty.

Recognizing that INTOSAI has accomplished much since its creation in 1953, the strategic plan seeks to position the organization to meet new challenges. Continuous improvement is the hallmark of any world-class entity, and this plan is a first step toward making INTOSAI a model among international institutions.



PROPOSED OVERVIEW OF THE INTOSAI STRATEGIC PLAN

2005 - 2010

MISSION

INTOSAI is an autonomous, independent, professional, and non-political organization established to provide mutual support; foster the exchange of ideas, knowledge, and experiences; act as a recognized voice of supreme audit institutions (SAIs) within the international community; and promote continuous improvement among diverse member SAIs.

VISION

Promote good government by enabling SAIs 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 peoples.

STRATEGIC GOALS

■ **Goal 1: Accountability and Professional Standards**

Promote strong, independent, and multidisciplinary SAIs by (1) encouraging SAIs to lead by example and (2) contributing to the development and adoption of appropriate and effective professional standards.

■ **Goal 2: Institutional Capacity Building**

Build the capabilities and professional capacities of SAIs through training, technical assistance, and other development activities.

■ **Goal 3: Knowledge Sharing and Knowledge Services**

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.

■ **Goal 4: Model International Organization**

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.

CORE VALUES

INDEPENDENCE INTEGRITY PROFESSIONALISM CREDIBILITY
INCLUSIVENESS COOPERATION INNOVATION

