INTOSAI

International Journal of Government Auditing

April 2002

International Journal of Government Auditing

April 2002—Vol. 29, No. 2

The *International Journal of Government Auditing* is published quarterly (January, April, July, October) in Arabic, English, French, German, and Spanish on behalf of INTOSAI (International Organization of Supreme Audit Institutions). The *Journal*, which is the official organ of INTOSAI, is dedicated to the advancement of government auditing procedures and techniques. Opinions and beliefs expressed are those of editors or individual contributors and do not necessarily reflect the views or policies of the Organization.

The editors invite submissions of articles, special reports , and news items, which should be sent to the editorial offices at U.S. General Accounting Office, Room 7826, 441 G Street, NW, Washington, D.C. 20548, U.S.A. (Phone: 202-512-4707; Facsimile: 202-512-4021; E-mail: <chases@gao.gov>).

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

The *Journal* is distributed to the heads of all Supreme Audit Institutions throughout the world who participate in the work of INTOSAI. Others may subscribe for US$5 per year. Checks and correspondence for all editions should be mailed to the *Journal's* administration office, U.S. General Accounting Office, Room 7826, 441 G Street, NW, Washington, D.C. 20548, U.S.A.

Articles in the *Journal* are indexed in the Accountants' Index published by the American Institute of Certified Public Accountants and included in Management Contents. Selected articles are included in abstracts published by Anbar Management Services, Wembley, England, and University Microfilms International, Ann Arbor, Michigan, U.S.A.

Contents

“Breaking the Banks”

By Mr. John Purcell, Comptroller and Auditor General of Ireland

Mr. John Purcell

I am pleased to have been asked to write this editorial for the *Journal* and to share my perspective on an issue that has been discussed by INTOSAI members in recent years: the role of SAIs in addressing the problem of financial crimes. This was discussed at our Montevideo congress in 1998 in the context of preventing and detecting fraud and corruption, and the issue was raised again at our congress in Seoul last October in the context of money laundering. As colleagues continue to address this challenging issue, and in the spirit of INTOSAI’s motto, “Mutual Experience Benefits All”, I thought that readers might be interested in the experiences my office has had with this issue.

Our experience relates to an investigation into tax evasion on a large scale that began in 1999 following media reports concerning a major Irish bank’s use of bogus non-resident accounts as a means of evading Deposit Interest Retention Tax (DIRT). Simply put, deposit interest is a form of income that is, therefore, liable to assessment to income tax; DIRT is a specific tax on this interest income. It is a self-assessment tax, and financial institutions have a statutory obligation to deduct DIRT from relevant interest paid to depositors, to pay it over to the Revenue Commissioners at specified intervals, and to make a return on a prescribed form.

The bank in question denied any wrongdoing and claimed it had an agreement with the Revenue Commissioners on how the matter should be treated. Moreover, the bank asserted that the issue of bogus non-resident accounts had been an industry-wide problem and was well-known to the State authorities.

After initial enquiries by Parliament’s Public Accounts Committee failed to shed any meaningful light on the position, Parliament (at the Committee’s instigation) passed legislation giving me special powers of a quasi-judicial nature to investigate the matter and to report my findings.

Specifically, I was requested to (1) carry out an investigation into the operation of DIRT by the Revenue Commissioners and the financial institutions over a 12-year period, (2) ascertain if there was a shortfall in the amounts of DIRT paid by financial institutions and the reasons for and the circumstances of the shortfall, and (3) ascertain the information known or available to the financial institutions, the Revenue Commissioners, the Department of Finance, and the Central Bank of Ireland concerning the practice of using bogus non-resident accounts to evade DIRT.

Once the enabling legislation was passed, a dedicated team of staff from my Office with expertise in accounting, information technology and law was set up to undertake the investigation work. At an early stage, the financial institutions were invited to furnish information to me under several headings, and all of them responded positively. Follow-up meetings with representatives from the institutions clarified and elaborated on that information. At the same time, files were sought and obtained from the relevant State authorities; in addition, the examination of papers was augmented by discussions with the organisations as necessary. Each of the financial institutions and the three State authorities were furnished with a synthesis of the information they had provided in order to verify my understanding of the facts at that stage.

Once all the preliminary information had been obtained, the investigation took on a new complexion. Using the special powers granted by the legislation, I adopted a three-pronged approach: (1) directing the financial institutions to make discovery on oath by way of affidavit of any documents which were germane to the subject matter of the investigation, (2) appointing a private sector auditor to carry out an examination in the financial institutions of non-resident accounts and records, and (3) directing persons to attend before me to give evidence on oath.

As regards the first element, I sought documents that touched upon or concerned specific aspects of DIRT administration in the institutions between January 1, 1986, and December 1, 1998 — in particular, minutes and documents of the Board, its sub-committees or audit committees in which any reference was made to DIRT or non-resident accounts; reports to or received by senior management concerning the administration of DIRT and non-resident exemptions, including internal audit reports; and relevant correspondence to and from external auditors.

In terms of the appointment of a financial auditor, I did not approach Irish auditing firms to avoid potential conflicts of interest. After consultation with U.K. Inland Revenue and a number of U.K.-based firms with relevant expertise, I appointed an auditor to undertake the work in the financial institutions on my behalf—56 offices and branches of 22 institutions in all representing the vast majority of the DIRT deposit base. In accordance with the special legislation, the auditor and her team performed the work under my control and supervision.

The third element of my approach was to hold hearings to take evidence on oath from 76 witnesses. The oral hearings were effective in teasing out the provenance of the information contained in the documentation and eliciting new facts.

The investigation was completed and the report presented to Parliament within a 7-month period. It established a pattern of extensive non-compliance across a range of financial institutions. The institutions had been less than diligent in confirming the residence status of account holders and, in many cases, had actively encouraged ineligible persons to open non-resident accounts in order to boost their deposit taking business. Even when internal audit units within the financial institutions had reported weaknesses in this area, the follow-up was often lacklustre, uncommitted, and not systematic. The report estimated an indicative DIRT shortfall of hundreds of millions of euros.

The report found that the State authorities in question had adopted a passive approach to the financial institutions in their management of compliance and more or less ignored danger signals which had cropped up at intervals during the 12-year period. This passiveness was compounded by the Revenue Commissioners' failure to exercise the limited access inspection rights they had in the financial institutions. In essence, to put it at its harshest, the State's attitude had been redolent of the three wise monkeys—"Hear no evil, see no evil, and speak no evil!"

The investigative report formed the basis of the subsequent Public Accounts Committee inquiry into the matter. The hearings, which were in public and broadcast on national television, gave an intriguing insight into corporate governance in financial institutions, the State's monitoring of the banking sector, and the operation of the Revenue Commissioners.

The Committee's report had a major impact, including

- the establishment of a new single regulatory authority for all financial institutions,
- a restructuring of governance arrangements in the Revenue Commissioners,
- enhanced Revenue Commissioners' access and inspection rights in financial institutions, and
- a new supervisory body for the auditing profession.

Based on the findings of my investigative report, the Revenue Commissioners carried out a series of lookback DIRT audits in the financial institutions. These audits produced •million (US$194 million) in back tax, interest, and penalties from the financial institutions. A follow-up voluntary disclosure scheme for holders of bogus non- resident accounts produced an additional • million (US$197 million) in underlying tax from 3,500 account holders. Intensive audit work by the Revenue Commissioners currently under way on bogus non-resident accounts is expected to yield further large sums of money.

The main lessons learnt from my investigation and the subsequent Public Accounts Committee hearings were the following:

- Delegation of tax collection functions to private sector bodies must be accompanied by the implementation of an effective monitoring regime.
- Clear lines of responsibility are a prerequisite for good governance.
- Control authorities such as the Revenue Commissioners should always exercise in full the powers granted to them in law to ensure compliance.
- Internal audit must be independent in the exercise of its functions and properly staffed and have a direct line of reporting to the Board.
- The independence of external audit can be compromised by the provision of other services to business.
- It is probable that an SAI will need to invoke special powers to carry out effective examinations in which the private sector is involved.

For more information, contact the author at: Office of the Comptroller and Auditor General, Head Office, Treasury Block, Dublin Castle, Dublin 2, Ireland; tel: 01-6031000, fax: 01-6031010, e-mail: postmaster@audgen.irlgov.ie, or www.irlgov.ie. ■

News in Brief

Bangladesh

New Comptroller and Auditor General

Mr. Muhammad Ahsan Ali Sarkar took the oath of office as the Comptroller and Auditor General of Bangladesh on March 5, 2002. His predecessor, Mr. Syed Yusuf Hossain, retired on February 4, 2002.

Born in 1943, Mr. Sarkar received his M.A. in English from Rajshahi University in 1964. He qualified in the Central Superior Services Examination and joined Bangladesh's Audit and Accounts Service in 1967. Prior to his present appointment he served as Secretary, Ministry of Labor and Employment of the Government of Bangladesh. He also served for 2 years as a National Consultant for the Reforms in Government Audit (RIGA) Project, which was jointly sponsored by the Government of Bangladesh and the United Kingdom's Department for International Development.

In his varied career, Mr. Sarkar has served in the capacities of Additional Secretary, Joint Secretary, and Deputy Secretary in several different ministries of the Bangladesh government.

Mr. Sarkar has received training in a number of foreign countries, including the United States of America, Singapore, and Pakistan.

ASOSAI Workshop

The Office of the Comptroller and Auditor General (C&AG) of Bangladesh hosted the ASOSAI Workshop on Financial Audit from September 3-12, 2001. The 8-day workshop was sponsored by ASOSAI, and representatives from 16 Asian countries participated.

New SAI Website

The Office of the Comptroller and Auditor General (C&AG) of Bangladesh has launched its website, www.cagbd.org. The website contains information relating to the activities of the Office of the C&AG, the rules and procedures the office follows in conducting audits, as well as such important and useful documents as *Government Audit Standards*, the *Code of Ethics for Government Auditors* and the *Performance Audit Manual*. Visitors to the website will also be able to see the office's annual reports and audit reports on various ministries. The reports are in MSWord format and can be downloaded if desired. In addition, there is a section with news about the Office of C&AG, and new publications will be posted to the site. The office believes that the website will be useful for its own staff, its clients, and other interested groups.

The Office of C&AG also welcomes comments and suggestions on how to improve the site and make it more user friendly.

For further information, contact: 189, Shaheed Syed Nazrul Islam, Saran, Kakrail, Dhaka-1000, Bangladesh; fax: ++880 (2) 831 26 90; e-mail: saibd@citechco.net; or www.cagbd. org.

Belgium

F-16 SAI Conference

On June 15, 2001, senior audit officials from the six countries that participate in the F-16 Multinational Fighter Program met at the F-16 Supreme Audit Institutions (SAI) Conference in Brussels. The countries represented were Belgium, Denmark, Norway, Portugal, the Netherlands, and the United States. The newest member nation, Portugal, had been invited to participate in the conference after it entered the program in June 2000.

The delegations were briefed about the case closure of the follow-on-buy and the F-16 mid-life update. The U.S. General Accounting Office (GAO) clarified the results of its 1996 review of the pricing of the mid-life update program (see GAO/NSIAD-96-232 available at www.gao.gov). The participants also received an overview of efforts to reengineer the foreign military sales system in order to provide a better view of the contract negotiations process and to speed up contract closeouts. In addition, the delegations discussed the decisions made concerning the successor to the F-16.

Representatives from the SAIs of Belgium, Denmark, Norway, Portugal, the Netherlands, and the United States, gather for a group photograph during their meeting in Brussels.

For more information on the F-16 SAI Conference, contact Mr. Beckers, the Belgian Court of Audit, Regentschapsstraat 2, B-1000 Brussels, Belgium; fax: 32-2-551-8622; or e-mail: F16SAIConference@crek.be.

Canada

Commissioner of the Environment and Sustainable Development Delivers 2001 Report

Ms. Johanne Gélinas, Canada's Commissioner of the Environment and Sustainable Development, delivered her 2001 report to Canada's House of Commons on October 2, 2001. This was Ms. Gélinas' first report since she was appointed to her post in August 2000. The concept of sustainable development is integral to her duties and is the focal point of her office's role as environmental watchdog. As the report states, "Sustainable development does not just mean protecting the environment; it means also improving and maintaining the quality of life for people both in Canada and other parts of the world."

The 2001 report sets out three broad areas of federal activity—the government's effectiveness in protecting and preserving the Great Lakes and St. Lawrence River basin, federal departments' management systems and practices for implementing their sustainable development strategies, and modifications the Canadian government has made to its approaches to climate change and energy efficiency. It also discusses the environmental petitions process that allows Canadians to bring their environmental concerns to the attention of the government. The seven chapters of the commissioner's 2001 report also contain video excerpts illustrating the issues being discussed.

Looking toward the future, the Commissioner stated that the central theme of her 2002 report will be the progress the federal government has made in key areas such as toxic substances, contaminated sites, and waste management. For 2003 and beyond, she plans to ask the basic question, "What can we audit that will make the biggest difference to Canadians?" Subjects may include environmental health, the relationship between commerce and the environment, natural resources as precious capital to be preserved, and the government's capacity to act as a good steward and manage its programs with due regard to the environment and sustainable development.

For more information, contact: Commissioner of the Environment and Sustainable Development, Office of the Auditor General of Canada and the Commissioner of the Environment and Sustainable Development, 240 Sparks Street, Ottawa, Ontario, K1A 0G6 Canada, tel: (613) 995-3708, fax:(613)957-0474,e-mail: communications@oag-bvg. gc.ca.

To view the Commissioner's report, please go to www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu3_e.html.

European Union

New President and Members of the ECA

On January 16, 2002, Mr. Juan Manuel Fabra Vallés of Spain, nominated to the Court in March 2000, became the ninth president of the European Court of Auditors (ECA). Mr. Fabra Vallés, whose term runs until January 15, 2005, was responsible for the Court's audit of the European Development Fund from 2000-2002. He also was a member of the audit group responsible for drawing up the Statement of Assurance (DAS). From 1994-2000, he was a member of the European Parliament, where his responsibilities included serving on both the Committee on Budgets and the Committee on Budgetary Control. Mr. Fabra Vallés was a member of the Spanish Parliament from 1982-1994. During that time, he was a member of the North Atlantic Assembly, the Parliamentary Assembly of the Council of Europe, and the Western European Union Assembly.

Born in Tortosa, Spain, Mr. Fabra Vallés holds a degree in law from the Univeridad Complutense of Madrid. He was a corporate manager in the field of agriculture and technology transfer in Spain, with projects in France, the United Kingdom, the Netherlands and the United States.

Effective January 1, 2002, five new members joined the ECA. These members, nominated by the Council of the European Union in consultation with the European Parliament, are Mr. Lars Tobisson (Sweden), Dr. Hedda von Wedel (Germany), Mr. David Bostock (United Kingdom), Mr. Morten Louis Levysohn (Denmark), and Mr. Ioannis Sarmas (Greece). The Council also renewed the mandates of the following members: Mr. Hubert Weber (Austria), Mr. Francois Colling (Luxembourg), Mr. Maarten B. Engwirda (The Netherlands), and Mr. Jean-Francois Bernicot (France).

Mr. Juan Manuel Fabra Vallés

For more information on the ECA, contact: European Court of Auditors External Relations Department 12, rue Alcide De Gasperi, L-1615 Luxembourg tel: 352/4398-45410, fax: 352/4398-46430,e-mail: euraud@eca.eu. int, or www.eca.eu.int/en/organigramme/organigram.htm.

Germany

2001 Annual Report Issued

On October 16, 2001, Germany's Federal Court of Auditors presented its annual report to the federal legislative bodies and the government. The report reflects topics addressed in some of the 600 management letters that the Federal Court of Auditors issued during the course of its annual audit and advisory work. The report contains comments about federal appropriations and capital accounts and 86 contributions on specific audit findings, most of which address highly topical issues. The cases highlighted in the report have a one-time savings potential of about •1.7 billion (euro).

Privatization and outsourcing activities are the key topics of this latest report. The weaknesses highlighted include inefficient design and implementation of projects or poor selection procedures for outsourcing projects. The report also addresses the general financial relationship and funding practices between the federal government and the federal states, highlighting such major problems as shortcomings in tax collection and public works management and excessive or unjustified federal funding provided to federal state projects and programs. In addition, the report discusses major shortcomings in the defense sector, such as excess inventories and inefficient procurement procedures. As in previous years, the report examines the high level of public debt, which remains a concern.

The abridged versions of the annual report (in German and English) are available at no cost by writing to Bundesrechnungshof, Referat Pr/Int, D-53048 Bonn. The full report in German is also available at the above address either in hard copy or as a compact disk. In addition, the report may be downloaded from the Internet at www. bundesrechnungshof.de.

For more information, contact: Federal Court of Audit, D - 53048 Bonn,Germany, tel: ++49 (1888) 721-0, -1000, or fax: ++49 (1888) 721-2610.

Indonesia

Constitutional Amendments Strengthen SAI

The Republic of Indonesia is beginning an era of reformation that calls for constitutional amendments regarding the role of the Audit Board. The simple wording of the 1954 Constitution has left room for many interpretations that hindered the Board's activities in the movement to more democratic practices and regional autonomy.

Some examples of interpretations that have limited the Audit Board:

- The Audit Board has jurisdiction in auditing only the central government, not—regional governments and state-and region-owned enterprises.
- The Audit Board has insufficient offices in the regions, preventing the audit agency from fulfilling its audit activities.
- The Audit Board has no jurisdiction for reporting its audit to regional parliaments, which in fact have the right to control the regional executive. Under the Constitution the Audit Board reports only to the national parliament.

These conditions weret considered sufficient grounds for enacting amendments to the Constitution, particularly to sections dealing with the Audit Board (Article 23, Paragraph 5). This paragraph stipulates: "in order to audit the accountability of state finance, an Audit body shall be established, the regulation for which shall be prescribed by statute. The result of the audit shall be made known to Parliament."

The regulation of the Audit Board called for by the Constitution was formulated in Act No. 5 of 1973. The act establishes the board as a "High State Institution" to be independent from the influence and power of the government, but not superior to the government. Organizationally, the board is one of the five high state institutions, including the President, and the Parliament, that are all on the same level.

The task of amending the Constitution rests with the People's Consultative Assembly. In its letter to an ad hoc committee of this Assembly, the Audit Board made many substantial proposals, that were geared towards strengthening the position of the Audit Board, such as confirming that the Audit Board's offices be located not only in the capital city of the country, but also in the capital cities of the provinces. This move will also be followed-up by confirmation of a regulation that the findings of the regional offices of the Audit Board also be submitted to the regional parliaments national parliament.

Another asset of the Audit Board that needs to be confirmed is its independence and professionalism. The authority, therefore, for establishing government auditing standards is prerequisite to, and an example of, the independence and professionalism of an external auditor.

There have been constraints that could have impaired the role of the Audit Board in the regions, such as in Article 25 of Act No. 25 of 1999 on regional autonomy. This article states only that the audit on the accountability of regional finance is carried out according to existing rules and regulations, meaning that the audit may be carried out by audit agencies, outside the Audit Board.

The current government is still undecided about whether to have only one external auditor and only one internal audit organization. The external auditor would be the Audit Board, and the internal audit organization would be, at the national and regional levels, the office of inspector general.

In its annual meeting on November 2001, the People's Consultative Assembly provided three new articles for the Audit Board through its third amendment (Articles 23E, 23F, and 23G) that confirms the board's mandate to audit the finances of the national government, the provincial government, and the government at the second—level administration. The audit findings must be reported to the three respective parliaments, and each parliament must consider follow-ups recommended by the Audit Board. These constitutional provisions override Article 25 of Act No. 25 of 1999.

The People's Consultative Assembly also recommended that the Audit Board be considered as the only external auditor of the state and that it increase its audits of all government ministries, agencies, and institutions, of the central government, as well as those of the provincial governments, state- and province-owned enterprises, and all organizations using public funds. In doing so, the Audit Board should use professional auditors, having sufficient integrity and independence and provided with sufficient means to perform a proper audit. If the audits disclose matters that give rise to a suspicion that a criminal offensce or act detrimental to state finance has been committed, the Audit Board shall present such cases to the government.

With these latest amendments and recommendations, it is hoped that the Audit Board can, in the near future, play a more active role in the move to increased accountability and good governance in Indonesia.

For additional information, contact: Badan Pemeriksa Keunangan, Jl. Jend Gator Subroto 31, Jakarta 10210, Indonesia; fax: ++62 (21) 572-0944; e-mail: ketua@bpk.go.id; or www.bpk.go.id.

Ireland

Expenditure Review Report Issued

The Comptroller and Auditor General, Mr. John Purcell, published a report on his examination of the arrangements for systematically reviewing the effectiveness of government expenditure programs. By way of background to this work, the Department of Finance set up a process in May 1997 whereby all government expenditure was to be reviewed over a three-year cycle. The process, known as the Expenditure Review Initiative, was seen as an important element of the policy of delivering better government and was central to the Strategic Management Initiative which aimed to move public sector management away from the traditional focus on inputs to concentrate more on the achievement of results. The Expenditure Review Initiative was to provide key information that would feed into policy making and the management of programs.

New systems and procedures were required to support the review process and to develop the capacity within departments to carry out expenditure reviews. The SAI's examination addressed the following questions:

- Was public expenditure comprehensively reviewed over the period?
- Were the expenditure reviews carried out well?
- Were the arrangements put in place to manage the Expenditure Review Initiative successful?

Main Findings

At the end of the three-year period under review, 62 out of the planned 118 expenditure reviews had been completed while a further 21 were in progress. At most, 37 percent of government expenditure was reviewed in the period from mid 1997 to the end of 2000. While falling short of what was an ambitious target, it still represents a reasonable effort from a standing start.

Assessment of a sample of expenditure review reports revealed that reviews were generally better at examining the objectives of spending and the level of cost efficiency achieved than at reviewing the adequacy of performance indicators or evaluating effectiveness. Only three of the 13 reports assessed achieved a sound professional standard across all the main elements of the expenditure review. Two of the 13 reports did not reach a sound professional standard on any of the main criteria. Despite the shortcomings, the reviews had the effect of directing attention to areas of expenditure which hitherto had not been analysed to any great extent. The report also noted that the initiative provided some reassurance that taxpayers' money was generally being used to good effect in the areas under review. In addition, a strategy which involves prioritizing key expenditure areas has been put in place for the next series of reviews.

In issuing the report, Mr. Purcell stated that, "Systematic evaluation of what is achieved through public expenditure is an essential part of good public sector management. The expenditure review initiative helped to develop the evaluation process in Departments but much more needs to be done before it can be said that evaluation is an integral part of how the Civil Service manages its day-to-day business."

For more information, contact: Office of the Comptroller and Auditor General, Head Office, Treasury Block, Dublin Castle, Dublin 2, Ireland, tel: 01-6031000, fax: 01-6031010, e-mail: postmaster@audgen.irlgov.ie, or www.irlgov.ie

Nepal

Annual Audit Report Issued

The Right Honorable Bishnu Bahadur K.C., Auditor General of the Kingdom of Nepal, submitted the 38th Annual Audit Report to His Majesty the King on August 31, 2001. The following month, the Auditor General gave a briefing to the King on the report's contents and presented a copy of the report.

On September 28, 2001, the report was presented to Parliament, and the following week the Auditor General presented the executive summary of the report in the Public Accounts Committee. During his presentation, he commended the committee for its serious deliberations on the report and its issuing of needed directives.

The report is divided into four parts, in addition to the executive summary. Part 1 deals with the audit of government offices, the court, the army, and the police. Part 2 contains the findings from performance audits. Part 3 comprises the reports of autonomous and corporate bodies. Part 4 contains the certified financial statements. The complete report can be read on the Office of the Auditor General's website, www.oagnepal.com.

For further information, contact: Office of the Auditor General, Babar Mahal, P.O. Box 13328, Kathmandu, Nepal; fax: 977-1-262798; or e-mail: oagnepal@ntc.net.np.

Pakistan

Ordinance Clarifies SAI Responsibilities

Pakistan has a federal system of government, with four provinces constituting the federation. The auditor general of Pakistan is appointed under Article 168 of the constitution. Under the Audit and Accounts Order of 1973, the auditor general was responsible for preparing, maintaining, and auditing the accounts of the federation and its provinces. In order to restate the auditor general's auditing independence and to bring the position's terms and conditions of service on par with those of other constitutional appointments, the government issued Ordinance No. XXIII of 2001, which defined the auditor general's functions, powers, and terms and conditions of service. The law was effective as of July 1, 2001.

According to the ordinance, the auditor general is to audit all expenditures from the consolidated fund of the federation and of each province to ascertain whether moneys shown in the accounts have been disbursed legally. The auditor general must also audit all transactions of the federation and the provinces that relate to public accounts, trading, manufacturing, profit and loss accounts, balance sheets, and other subsidiary accounts. In addition, the auditor general must audit all receipts payable to the consolidated funds or public accounts of the federal government and the provinces and to the accounts of each district. To further augment the position's independence from executive authority, the auditor general has been given the authority to incur expenditures, within budgetary provisions, and to make regulations, provided they are consistent with provisions of law and approved by the federal government.

For additional information, please contact: Office of the Auditor General of Pakistan, Constitution Avenue, Islamabad 44000, Pakistan; fax: ++92 (51) 922 52 43; e-mail: saipak@isbcomsats.net.pk.

Peru

New Comptroller General

On October 26, 2001, Dr. Genaro Matute Mejía was named Comptroller General of Peru. As such, he also becomes President of the Latin American Organization of Supreme Audit Institutions (OLACEFS) and a member of the Governing Board of INTOSAI.

Dr. Genaro Matute Mejía

Dr. Matute is an expert in planning, operations, management development and information systems. He has 25 years experience in training senior executives for public and private administration. Prior to his appointment as Comptroller General, he was director of the Masters Program, professor, and member of the Professors Council at the Graduate School of Business Administration in Lima, Peru. He was also an investigator for the Center for Judicial Investigations and a member of the Information Systems Planning Committee of the Judiciary. In addition, he has served as a consultant to the United Nations and an advisor/instructor for private companies such as IBM and Kodak of Peru.

Dr. Matute holds a Ph.D. in Management, with an emphasis in Information Systems, from University of California at Los Angeles (UCLA) in the United States. He received MBAs from the University of British Columbia (in Vancouver, Canada) and from the Graduate School of Business Administration in Lima. He was awarded a B.S. in Mechanical Engineering from San Luis Gonzaga National University in Ica, Peru.

During his career, Dr. Matute has won numerous awards, including the Sion Raveed prize from the Business Association of Latin America Studies and scholarships from UCLA, the Pacific Academy for Advanced Studies in Los Angeles, and the Canadian Agency for International Development.

For more information, contact: Contraloria General de la República, Lima, Peru, Tel: ++51 (1) 330 41 19, 330 31 50, 330 31 54, Fax: ++51 (1) 330 32 80, 330 05 12, E-mail: olacefs@contraloria.gob.pe, or www.contraloria. gob.pe.

Puerto Rico

First Conference on Administrative Excellence

On February 6, 2002, the Honorable Manuel Díaz Saldaña, the Comptroller of Puerto Rico, convened his office's First Conference on Administrative Excellence. The conference was part of the 50th anniversary celebration of the Office of the Comptroller of Puerto Rico, which was established under the Constitution of the Commonwealth of Puerto Rico in 1952 and in Act. No. 9 of July 24, 1952.

The Office of the Comptroller of Puerto Rico has the constitutional and ministerial duty to audit all government transactions related to funds and public property. The office promotes excellence in government by sharing the principles and practices of good public administration it has developed with government officers and employees and by serving as a role model in continual improvement and process measurement.

To commemorate this special event, the Honorable Sila M. Calderón, Governor of Puerto Rico, approved a resolution proclaiming February 3 - 9 the Week of Administrative Excellence and February 6 the Day of Administrative Excellence. She attended the conference, as did the president of the Supreme Court of Puerto Rico, the presidents of Puerto Rico's Senate and House of Representatives, and mayors of different island municipalities.

The purpose of the conference was to bring together leaders from various sectors of Puerto Rican society—government, private enterprise, labor unions, universities, religious organizations, and representatives of civil society—to send the nation a forceful, proactive message in support of administrative excellence. The event was designed to focus on positive management values in both government and the private sector.

Mr. Gene L. Dodaro, chief operating officer of the U.S. General Accounting Office, served as keynote speaker for the conference at the luncheon. Other guests at the conference included Dr. Hugo F. Arias Fabián and Francisco Osiris Martínez, president and vice president, respectively, of the Court of Accounts of the Dominican Republic.

One of the morning sessions addressed the importance of internal controls in business. The afternoon included a session on the impact of Total Quality Management in attaining excellence in administration and two panel discussion groups. One panel of top leaders of the universities in Puerto Rico discussed "Excellence in Human Affairs." On the second panel, top leaders of private enterprises discussed "Perspectives Towards an Administration of Excellence."

The conference addressed many issues related to excellence. The citizens of Puerto Rico expect and have the right to receive excellent services from all public officers and government employees. The citizens also expect the government to use the resources that have been entrusted to it effectively, efficiently, and according to law. Therefore, the government is obligated to establish and maintain high standards and levels of excellence to ensure the proper functioning of public entities, particularly with regard to the services it provides to its citizens.

Excellence depends on principles of justice and public ethics and on the will to comply with these principles with responsibility, integrity, and dedication. Therefore, excellence in service translates into guaranteeing quality in service and establishing and complying with institutional values of the highest moral caliber. For individuals, this is demonstrated through relationships with coworkers characterized by pleasantness, courtesy, and the willingness to share skills and knowledge. It is also demonstrated through a high sense of equity and responsibility in doing a job, complying with all rules and regulations, not discriminating, and not soliciting or receiving favors or gifts of any kind for doing the work for which one is responsible.

It is a matter of public interest that government and the private sector promote and provide continuing education on codes of conduct, principles of quality, and the ethical values that must characterize the fulfillment of their duties. They also must practice the norms and processes related to good administration and public management.

For more information, contact: Oficina del Contralor de Puerto Rico, San Juan 00936-6069, Puerto Rico, tel: ++1 (787) 754-3030, fax: ++1 (787) 751-6768, e-mail: ocpr@ocpr.gov.pr, or www.ocpr.gov.pr.

Seychelles

New Auditor General

Mr. Marc Benstrong was appointed Auditor General of the Seychelles in October 2001 for a 7-year term in accordance with Article 158 of the constitution. Immediately prior to this appointment, Mr. Benstrong served as Deputy Auditor General.

Mr. Benstrong brings to the position a high level of professionalism and a wealth of experience acquired over the years in a wide spectrum of financial policy areas involving national budgeting, financial planning, and controls and privatization of public enterprises. A firm believer in ethics and accountability, Mr. Benstrong has identified "capacity building" as his first priority. Mr. Benstrong, who received professional accountancy training in the Seychelles and in the United Kingdom, began his government career in the Treasury Division of the Ministry of Finance, where he held a number of positions, including that of chief accountant for 4 years. From 1996 through 1999, he served as the director general of the Financial Planning and Controls Division; he was appointed deputy auditor general in 1999.

2000 Annual Report

The report of the auditor general was presented to the National Assembly in December 2001 in accordance with Article 158 (5) of the constitution. The report is the first issued by the newly appointed auditor general. The report synthesizes observations arising from the audit of the Annual Financial Statements for the year ended December 31, 2000, and a number of ministerial portfolios.

Part 1 of the report presents various comments on financial transactions and some useful analysis of public revenue and expenditure, movement of significant account balances, and public debt based on the accounts of the government. A brief status report on each set of financial statements audited during the year—a new feature of the report—is also included in part 1.

Part 2 of the report examines financial operations of selected ministries and implementation of public projects. The report highlights a number of problems brought to the attention of accounting officers for remedial action during the course of audits. These include some matters of audit concern that have not been resolved satisfactorily despite previous audit comments.

Included at the end of the report are the certificate of the auditor general; the statement of assets and liabilities as of December 31, 2000; and the abstract account of revenue and expenditure, along with notes forming part of the accounts.

For more information or to obtain a copy of the report, contact the Audit Department, P.O. Box 49, Victoria, Seychelles; fax: ++248-324046; or e-mail: seyaudit@seychelles.net.

South Africa

Regional Cooperation

The South African Audit Office plays a major role in managing the Netherlands-sponsored training and development programs of AFROSAI-E, the English-speaking group of SAIs on the African continent. It also manages a similar project funded by Sweden for SAIs of the Southern African Development Community.

The auditors general of the region met in June 2000 in South Africa and again in October 2000 in the Netherlands to finalize their strategic planning for the period from 2001 through 2003. These meetings were also attended by representatives from the respective donor agencies and the audit offices of Sweden and the Netherlands, which provide technical and managerial support for the two development cooperation projects.

During the past year, steps have been taken to foster cooperation between the two groups by, among other things, combining and restructuring technical work groups, harmonizing training materials, and coordinating training interventions. Besides providing regional training opportunities in the various audit fields, the projects are addressing aspects that promote the effective functioning of the SAIs as institutions, for example, quality control procedures, management skills, on-the-job technical support, and the independence of the auditors general and their offices.

A database of relevant information pertaining to the SAIs in the region is presently being compiled, which will form the basis for future evaluations of the progress SAIs in the region make in enhancing the standard of their audit performance.

Deputy Auditor-General and CEO Appointed

Appointed June 1, 2000, Mr. Terence Nombembe serves dual roles in the Office of the Auditor-General. In his capacity as the Deputy Auditor-General, Mr. Nombembe provides support to the Auditor-General to safeguard the independence, impartiality, and professional status of the office as an example to the public sector and the profession. He is committed to building constructive relationships with both internal and external stakeholders so that the South African taxpayer can see that the office adds value to society.

In his role as CEO, Mr. Nombembe has primary responsibility for driving the implementation of strategy, and his stated goal is to use the office's infrastructure to transform it into an institution that is run as a business. This approach, he believes, will contribute to the systematic and sustainable development of the financial management skills that are required in public service.

From his 18 years of experience in business, Mr. Nombembe is able to draw particularly on the founding of Gobodo Incorporated in 1997. The company started out in an environment that was not friendly to emerging black business and provided an integrated service to clients and support for small and medium enterprises. It has since expanded, with its Gobodo Corporate Governance Services (Internal Audit Division) operating nationally through offices in Cape Town and Pretoria.

Mr. Nombembe began his career as trainee accountant with KPMG in Umtata in 1983. In 1986 he was promoted to audit supervisor. Since then he has served as an internal auditor at Unilever; factory accountant at Lipton Tea and Soup Company; senior internal auditor at BP South Africa; finance manager at BP Botswana; and market research manager, again at BP South Africa. Among his accomplishments was the implementation at BP South Africa of a proactive audit methodology that included the control risk self-assessment approach to auditing. As market research manager at the company, he was involved in research aimed at enhancing BP's level of customer responsiveness, loyalty, and satisfaction.

Born in 1961 in Qumbu, Transkei, Mr. Nombembe matriculated at Umtata Technical College in 1979. He was awarded a B. Com. degree by the University of Transkei in 1982 and the B. Compt. (Hons.) by the University of South Africa in 1986. He qualified as a chartered accountant in 1990.

For more information, contact: Office of the Auditor-General, Pretoria 0001, South Africa, tel: ++27 (12) 426-8401, -8239, fax: ++27 (12) 426-8256, e-mail: auditgen@agsa.co.za, or www.agsa.co.za.

United States of America

GAO Files Suit Over Access to Energy Policy Group Information

In February 2002, the Comptroller General of the United States, David M.Walker, filed a lawsuit seeking access to information about the operations of a task force that was charged with developing national energy policy and was headed by the Vice President of the United States. The 25-page complaint filed by GAO gives a detailed chronology of GAO's efforts over the previous 8 months to gain the information requested by the U.S. Congress. Specifically, the Congress asked the General Accounting Office to investigate who the task force and its staff met with, the subjects of its meetings, and the costs of its activities. Upon filing the suit, GAO issued a brief statement saying, in part, "We take this step reluctantly. Nevertheless, given GAO's responsibility to Congress and the American people, we have no other choice. Our repeated attempts to reach a reasonable accommodation on this matter have not been successful. Now that the matter has been submitted to the judicial branch, we are hopeful that the litigation will be resolved expeditiously." The complaint (Civil Action No. 1:02cv00340) has been posted on the Internet at http://news.findlaw.com/hdocs/docs/gao/wlkrchny022202cmp.pdf.

On April 11, 2002, GAO filed a motion for summary judgment in the lawsuit, stating that the Comptroller General's suit "presents pure questions of law, as to which there are no material facts in dispute." The Justice Department, which is representing the vice president, has been allowed 40 days to respond to the

GAO motion. Oral argument before a judge has been scheduled for September 18, 2002. Additional information on this issue is available at www.gao.gov.

GAO Issues 2001 Performance and Accountability Report

On February 27, GAO issued its performance and accountability report for fiscal year 2001.

The report shows that GAO served the Congress and the American people in a variety of ways. GAO's work throughout the year led to $26.4 billion in savings — a return of $69 on every dollar invested in GAO — as well as almost 800 actions taken to improve government services for the American taxpayer. In addition, 79 percent of the recommendations GAO made in fiscal year 1997 had been implemented by the end of fiscal year 2001. Finally, GAO was able to respond rapidly in the face of the tragic events of September 11, thanks to past and present work.

The 2001 report is a three-in-one document, encompassing information about the past year's accomplishments traditionally presented in accountability and performance reports, as well as plans for the upcoming year contained in performance plans. In addition to data on GAO's overall performance, it highlights progress in meeting each of GAO strategic goals. Looking forward, it previews what GAO expects to achieve in fiscal year 2003, a preview of GAO's updated draft 2002-2007 strategic plan. The report also includes GAO's fiscal year 2001 financial statements, which received an unqualified opinion from its independent auditor.

GAO has issued both a compact *Highlights* version of the report and a complete version containing the texts of the fiscal year 2001 performance and accountability reports and the 2003 performance plan. Both versions can be accessed on the Internet at www.gao.gov/audit.htm under the subheading "Reports and Plans About GAO." ■

Audit of the Norwegian Government Petroleum Fund

By Mr. Alfred G. Martinovits, PhD, Senior Adviser, Office of the Auditor General of Norway

The Office of the Auditor General conducted a performance audit of the Norwegian Government Petroleum Fund in a period ending December 31, 1998, with developments in certain areas analyzed into 1999. The audit encompassed a review of the systems and routines used by Norges Bank, Norway's central bank, for monitoring management of the Fund and ensuring compliance with the guidelines of the Ministry of Finance. The results of the audit were published in the Office of the Auditor General's Administrative Report no. 4, 1999.

Objectives

The objective of the audit was to investigate whether the Ministry of Finance and Norges Bank were managing the Norwegian Government Petroleum Fund in accordance with the decisions and intentions of the Parliament, including the regulations and guidelines laid down by the Ministry of Finance.

The audit used as its starting point the purpose and strategy of the Petroleum Fund as defined in the Government Petroleum Fund Act. According to the Act and guidelines given by the Ministry of Finance, the Fund

- helps to ensure that funds will be available for the central government's future financial commitments. To this end, the Fund must give a good return within the framework of an acceptable risk level and good control.
- is placed in financial instruments abroad, denominated in foreign currency, and is built up mainly by Norges Bank's purchase of foreign currency in conformance with national monetary and foreign exchange policies.
- must not diminish the effectiveness of the fiscal budget as an instrument of governance, and therefore it is important that adequate and relevant information is submitted to the Parliament.

The following questions were investigated:

1. Is the Ministry of Finance's and Norges Bank's management of the Norwegian Government Petroleum Fund satisfactory?
2. How is the Fund structured and built up in relation to national foreign exchange and monetary policy?
3. To what extent has the Parliament been informed about the management and performance of the Fund?

Background

The main objective of the Norwegian Government Petroleum Fund is to contribute to a budget process that takes into account the long term. The Government Petroleum Fund Act provides for the Ministry of Finance to manage the Fund and to establish a hypothetical, benchmark portfolio against which the success of investments can be measured. Norges Bank is responsible for the operational management of the Fund on behalf of the Ministry.

The Fund, held in a separate account in Norges Bank, has been invested entirely in financial instruments and cash deposits in foreign currencies. To date, the proceeds from the Fund have not been used toward the government's outstanding debt but have been transferred to the fiscal budget only to finance the non-oil budget deficit.

Money from petroleum activities is held temporarily in a buffer fund in order to minimise costs. The Petroleum Buffer Portfolio is transferred each quarter to the main portfolio of the Government Petroleum Fund. The buffer portfolio contains direct transfers of foreign currency from the State's direct financial interest in the oil industry, transfers from the other foreign currency reserves, and currency purchases on the market.

The amounts invested in the Petroleum Fund are mainly bought in the foreign currency market in accordance with national monetary and foreign exchange policies. The Ministry of Finance guidelines for monetary policy entail that the use of instruments must always aim to stabilize the exchange rate of the Norwegian krone against other European currencies. During a budget surplus, conflicts may arise between the need to acquire an amount of foreign currency equivalent to the surplus, mostly by purchase on the market, and the need to keep the international value of the Norwegian krone stable. This kind of conflict is particularly likely if the international value of the Norwegian krone is already under downward pressure. The net cash flow from the State's direct financial interest in the oil industry is already in foreign currency, thus reducing the likelihood of this kind of conflict of interest. However, the common features of the structure of the Fund and the foreign exchange policy indicate a need for auditing in this area.

The first real transfer (of approximately NOK 2 billion) to the Norwegian Government Petroleum Fund was made in May 1996 from a profit in the central government accounts for 1995. As of June 30, 2000, the Fund was worth NOK 304.6 billion, or approximately USD 33 billion. The National Budget for 1999 predicts that the Fund will continue to grow until around 2020. At the end of 2001, the Fund held almost USD 70 billion. The government's goal is that the Fund be placed as financial assets abroad so that Norway will be able to enjoy the returns on the investments in the future.

On January 1, 1998, Norges Bank Investment Management was set up as a separate unit within Norges Bank. It is responsible for the operational management of the Immunisation Portfolio, the Petroleum Buffer Portfolio, and the long-term portfolio, all of which are included in the official foreign exchange reserves, and for the Norwegian Government Petroleum Fund and the Government Petroleum Insurance Fund. In this way, a single unit bears the responsibility for all the portfolios that are managed with a long-term horizon.

Methodology

To ascertain the facts and derive the audit criteria for our investigation, data were collected from documents and interviews with , among others, three of the external investment managers assisting Norges Bank. Relevant records at Norges Bank and the Ministry of Finance were reviewed. And the audit included a demonstration of the risk management system used by Norges Bank.

Transcripts of the interviews with the staff at Norges Bank and the external service providers were verified in writing by the parties concerned. The interview responses of the Ministry of Finance were similarly written out and were confirmed by the Ministry in writing.

A first draft of the introductory chapters and factual part of the report was then sent to the Ministry of Finance, and most of the Ministry's response and comments were included in the final version of the audit report.

Audit criteria, the norms and standards that apply in connection with any individual performance audit, were derived from such sources as the decisions of the Parliament, acts of law, regulations, performance goals, guidelines, and acknowledged practice. The Ministry of Finance and Norges Bank were informed of the defined audit criteria and were given the opportunity to comment upon them as well as the more factual aspects of the report.

The Audit

In this paper, we concentrate on the findings and facts related to two main points discussed in the audit report: circumstances related to risk management and the use of external service providers. We have chosen this focus partly because these elements are important, but also to demonstrate the degree of detail with which the audit was carried out. Other matters raised in the audit will be presented briefly in connection with our discussion of the conclusions in the report.

Elements of Risk

Norges Bank must employ a secure and confidence-inspiring system for management of the considerable operational risks involved in managing the Norwegian Government Petroleum Fund and the official foreign exchange reserves. The Bank must have a full overview of all the main risk factors, which it classifies as market risk, credit risk, and administrative risk.

Market risk is the risk of a change in the value of a financial instrument as a result of changes in the exchange rate, interest rates, and share prices. *Credit risk* is the risk of a loss as a result of the failure of debtors or counterparties to fulfil their obligations. Norges Bank has contact with (and is thus exposed to risk from) the issuers of the securities that the Bank owns (issuer risk) and the various institutions that it does business with (settlement risk, which has three elements: counterparty risk, repurchase risk, and liquidity risk). *Administrative risk* covers all other risks, financial and nonfinancial.

Market risk must be regarded in relation to the expected return, and Norges Bank takes a calculated active risk in order to achieve a higher expected rate of return. The goal of investment management is to minimize the risk at a given expected rate of return, or, using a general level of acceptable risk, to maximize the return. Thus, minimization of market risk is not a goal in its own right. However, administrative risk and settlement risk, which do not affect the expected return, are reduced as much as possible.

External Service Providers

Norges Bank Investment Management must limit as much as possible the risk associated with settlement of accounts, deposits, and the use of subcontractors. Means of limiting this risk include the choice of and follow-up on the functioning of external service providers and the execution of contracts between Norges Bank and the service providers.

Norges Bank has entered into agreements with four external investment managers regarding index management of the Fund's equity portfolios and has selected five investment managers to perform "active management" on parts of the equity portfolio. In connection with the external management of shares, Norges Bank has entered into an agreement with a global depository bank responsible for the settlement of the share transactions and appointed to act as custodian of the shares. In connection with internal interest rate management, agreements have been entered into with five banks regarding the deposit of securities and the settlement of transactions. In the internal trade of equity futures contracts, stockbrokers are used as counterparties. In addition, Norges Bank Investment Management deals indirectly with brokers through the external investment management companies and with subdepositories through the depository bank.

In choosing external investment managers, importance was attached to such criteria as the company's size and experience in index management; investment processes; systems for performance attribution; commitment to communicating with Norges Bank; internal controls; executive team and chief of investments; transaction costs; and fees (though not at the expense of other requirements). The Bank also looked at the company's ability to trade "intelligently," for example, in connection with large companies being added to or removed from the benchmark portfolio, and the company's ability to assist in buying or selling shares by means of a high degree of internal crossing against other clients' movements. This is done outside normal brokering activity with a counterpart having the opposite interest, thereby saving costs.

Findings and Conclusions

In 1998 Norges Bank's rate of return on the portfolio was 0.20 percentage points higher than the benchmark portfolio. In 1999 this difference was 1.25, in 2000 it was 0.20, and in 2001 only 0.02 higher. Although no target was set for excess return, in our opinion the achieved results are satisfactory. Expected relative volatility, which is the standard deviation of the difference between the yield rates of the actual portfolio and the benchmark portfolio, was by far within the stipulated limit of 1.5% during the whole of 1998. Fund management costs were low compared to similar activities carried out by other international fund managers.

We found that the Government Petroleum Fund benchmark portfolio showed due consideration for asset and currency distribution. The chosen markets are all well functioning and liquid and are all controlled by appropriate laws and control bodies. The Ministry of Finance's strategy for the management of the Petroleum Fund reflects careful weighing of risk against return.

Norges Bank's management and control appear to be of the same standard as similar fund managers' practices internationally. Indeed, The Petroleum Fund management and control system currently under development in Norges Bank operates with more stringent requirements than other international actors, will comply with the guidelines laid down by the government administration, and will also be compatible with systems already in use in Norges Bank. Implementation of the new system will satisfy requirements for internal control laid down by the Banking Insurance Commission of Norway.

Norges Bank has established a sound risk management and control system. At the same time, the Bank has acknowledged the limitations in its expertise in connection with some of the tasks that it has been assigned, and it has therefore engaged external assistance with investments in shares and with the custodial function. We found that the banks providing external assistance have the necessary ethical standards and are in countries where banking inspection authorities monitor the banks' activities closely. The Ministry of Finance has been properly informed about the choice of banks to provide external assistance.

In 1998, the Norwegian krone was under downward pressure. Norges Bank continued, however, to buy foreign currency on the market.

It should be evaluated whether the Parliament also needs to be informed about the real growth of the Government Petroleum Fund in terms of net foreign asset accumulation. Apart from one case in 1997, the Ministry of Finance has correctly reported the financial results of the management of the Fund to the Parliament. However, sometimes special expertise is required to understand which principle (market value or lowest value) was used to calculate the return.

Norges Bank does not publish data about the performance of the Petroleum Buffer Portfolio, only for the Petroleum Fund itself, so it is not possible to evaluate the economic consequences of using the buffer fund.

The Ministry of Finance has not performed any comprehensive analyses to ascertain the consequences for the Norwegian economy of using money from the Fund in the future.

When the Government Petroleum Fund was established, the Ministry of Finance did not undertake comprehensive analyses of the tasks delegated to Norges Bank in terms of possible conflicting objectives, such as those found in the purchase of foreign currency, or issues related to organizational and resource challenges, such as the Bank's limited expertise. Had the Ministry done so, it would have been able to foresee the consequences of assigning Norges Bank a task that does not naturally belong among the tasks of a central bank.

For further information or comments, please contact the author by e-mail: alfred-geza.martinovits@riksrevisjonen.no or Tel: +47 22 24 12 28. ■

Reform Initiatives in the Bangladesh Office of the Comptroller and Auditor General

By Syed Yusuf Hossain, Former Comptroller and Auditor General of Bangladesh

Introduction

Over the past two decades, the world has witnessed a clear shift of paradigm in public administration with increasing emphasis on governance for growth and development. Good governance, with its principal attributes of accountability and transparency, is receiving increasing attention from policymakers, legislators, and civil society in all democracies regardless of their levels of development. Added to the emphasis on accountability and transparency is the growing concern about economic, efficient, and effective use of resources.

One of the basic elements of a country's governance structure is public sector management, which should aim at achieving greater efficiencies in governmental operations, reduce and prevent opportunities for corruption, and check leakage and waste of public resources. In a developing economy where resources are scarce and waste is endemic, it is important that sound management practices designed to optimize resources are strictly adhered to. There is a widely held view that it is not lack of resources but the optimum and best use of available resources that make the difference in our efforts to promote growth and development. Sound and efficient management essentially makes the difference.

There is an increasing demand from the people in the governments of developing countries for delivery of goods and services and an increasing expectation of a higher quality of life. In today's globalized world, the developing nations are faced with the twin challenges of living up to the increasing expectations of the taxpayers and the people, on the one hand, and growing competitiveness of the new international economic order on the other.

Experts, professionals, academics, and development partners tend to believe that optimization of resources could be a critical element in the process of ensuring improvements in the welfare of the people. Waste and misuse of resources are potential threats to providing better opportunities and benefits to the people. Poor management is one of the principal factors responsible for waste and misuse. Improved management and optimization of resources are, therefore, inseparably linked.

Financial management is an integral component of the overall management process. It is the principal focus of this paper because it is an essential prerequisite for the success of any organization. It plays a significant role in the economic, efficient and effective use of public resources.

Admittedly, the institutional arrangements, systems, and procedures that exist in the developing world do not fit in the context just outlined and therefore warrant substantive changes through a process of sustained reforms. Many nations, within their available resources, have realigned their efforts to bring in reforms to keep pace with the developments taking place elsewhere. Developing nations—having appreciated their present needs and being late starters in the process of development—have to redouble their efforts to make up for lost time. Their development partners are increasingly demonstrating a willingness to support the reforms agendas that bring systemic and institutional improvements as well as professional development and knowledge management.

Against this backdrop in recent years, the government of Bangladesh has undertaken a number of reform initiatives in important areas, including public financial management. Consistent with these efforts, the Bangladesh Office of the Comptroller and Auditor General (OCAG) has launched reform programs to address those weaknesses and flaws in the existing systems and procedures that limit the potential role of the department in the process of ensuring accountability and optimum use of resources for good governance.

The purpose of this paper is to review the reform agenda undertaken thus far by the Bangladesh OCAG and highlight the contributions the reforms make towards the department's ability to fulfill its mission and realize its vision as a proactive partner in the process of governance.

Reform Initiatives: Transition to Quality Audit and Professionalism

Since the inception of the Bangladesh OCAG, its approach to audit had been essentially conventional, focusing only on the review of transactions against compliance with rules and regulations. Instances of reviewing transactions against materiality were rare. The audit results, therefore, failed to create any desired impact. The information provided to Parliament through annual audit reports was of limited use. The role of audit as an integral part of the country's governance structure was seriously limited, and the department's image and effectiveness, as a result, were substantially impaired.

In addition, the audit-management relationship was markedly strained, as audit could not orient itself to offer any objective assessment of the strengths and weaknesses of the systems and procedures in place, performance of the organization in achieving its objectives, or problems within the organization. Nor could the audit, therefore, offer suggestions for corrective measures and remedial actions. Auditors' questioning of insignificant issues led management to view the audit function, generally speaking, as an impediment to achieving development goals. Audit, therefore could not perform its role as an aid to the modern management process.

There was hardly any work within the OCAG to promote the "marketability" of audit outputs to the clients for whom they were intended. There had been little or no interaction between management and auditors that could lead to their understanding and appreciation of each other's role in the realization of shared goals as partners in management and development. The executive agencies ignored many of the audit observations, leaving them unresolved for years. Many are still pending with the Public Accounts Committee and, given their volume, their resolution in the foreseeable future seems unlikely. Much of the value and significance of audit work was thus seriously undermined in the process. Lack of professionalism and severe constraints in skilled and trained human resources were primarily responsible for this lackluster performance over the years.

In contrast to the scenario outlined above, there has been a marked shift in the approach to public sector auditing in the global setting over the past couple of decades, with special focus on issues of performance and results. The global audit community set out to establish methodologies, procedures, and techniques for conducting performance audits to assess the results of public spending in terms of economy, efficiency, and effectiveness. This significant shift was in most part attributable to a new set of concepts and emerging realities in the domain of public administration. But it was also partly attributable to the character, contents, and volume of public spending for the attainment of national welfare goals. More importantly, the accountability regime shifted from an emphasis on procedures, control, and regulation to accountability for results and performance.

Against these realities in territorial and global contexts, the OCAG realized that improvement in the quality and effectiveness of its audit in conformity with international standards would be the right step to enhance the usefulness of the department's work to the Parliament and the executive as well as to other stakeholders.

The OCAG's recent reform initiatives in government audit can be seen as an appropriate step towards the improvement of quality and effectiveness. Three Technical Assistance Projects aided by the United Nations Development Program (UNDP) and the Department for International Development (DFID), United Kingdom, are simultaneously at work to implement a set of consciously chosen reforms. Specific needs for various spheres of government auditing, coupled with training for skill development, are being addressed by these projects.

The projects are

- Strengthening the Office of the Comptroller & Auditor General (STAG),
- Reforms in Government Audit (RIGA), and
- Enhancing Training Facilities of the Financial Management Academy (FIMA).

STAG Project

The STAG project aims mainly at capacity building in the Bangladesh OCAG to establish effective and modern audit practices.

The following outputs of the project have been completed:

- internationally accepted government auditing standards,
- performance audit manual and guidance materials,
- training courses in auditing standards and performance auditing,
- a database of audit information and computer networking between the Office of the Comptroller and Auditor General (OCAG) and all audit directorates, and
- a cell in the OCAG to assist the Public Accounts Committee and Public Undertakings Committee of the Parliament to carry out their functions effectively.

The following outputs are in the process of completion:

- pilot performance audits and
- an action plan to initiate reorganization and enhance the independence, role, and the capacity of the department.

Government auditing standards developed by the STAG Project in conformity with INTOSAI standards were launched in February 2000. The training program is in place to upgrade the skill levels of staff and officials based on auditing standards.

In the backdrop of the institutionalization of democracy, demands are being heard for greater accountability and transparency in public operations and for establishing good governance and the optimization of resources, and they are being discussed and deliberated more seriously than ever before. This has raised the people's expectations of an independent legislative audit institution, which works as a key oversight agency in the chain-of-accountability process.

The citizens of Bangladesh expect that the legislative audit institution should be able to identify waste, misuse, inefficiencies in the delivery of services, lack of propriety, and corruption and that it should be able to suggest ways to minimize these ills and maximize outputs.

The principal focus of our reform agenda has been to provide a solid methodology base in conformity with modern standards and our own needs. The financial audit, which remains the mainstay of our audit efforts, is being redesigned to add materiality and objectivity. There is an elaborate scheme on hand to train our staff and execute pilot audits to test the suitability of the new procedures in our work environment. To reinforce the entire reform process, efforts are underway to build awareness of reforms and develop auditor-auditee interaction. A series of workshops is being held towards this end.

RIGA Project

This project is mainly responsible for piloting reforms in the Directorates of Civil Audit and Local and Revenue Audit. The project started functioning in April 1999. The following tasks have been completed:

- updating audit code and audit manuals for civil audit, local audit, and revenue audit reflecting wider audit scope and modern standards,
- creating a code of ethics for public sector audit,
- preparing guidelines on performance audit,
- undertaking pilot audits based on the revised manuals and guidelines,
- developing strategic audit plans for civil and local and revenue audit directorates, and
- holding awareness-building workshops in major cities on reforms and improving auditor-auditee relationship.

Sustaining the outputs of the two technical assistance projects engaged in audit reforms requires, among other things, continued skill-development efforts through effective training. A reengineered, well-equipped training academy can adequately address this concern. The Financial Management Academy Project was thus undertaken to revamp the activities of the department's training academy with wider focus on public financial management.

FIMA Project

In 1996, the Audit & Accounts Training Academy was restructured, renovated, and renamed the Financial Management Academy (FIMA) to provide training in the field of public financial management across the government. FIMA was taken up in April 1999. The project envisages the following outputs:

- Management, Accounting, Auditing and Budgeting (MAAB) Course: As part of senior-level training courses on government financial management, FIMA introduced a 9-week MAAB course. This course has been a milestone since the inception of FIMA. It has drawn junior and mid-level officials across the government. It has helped these officials produce better output in their work places and has enhanced skill levels in a multisectoral approach to financial management. The course has been widely appreciated at all levels.
- Short Training Courses: FIMA also organizes a range of short training courses to develop the essential skills of mid-level officers across the public sectors in government budgeting, audit, and accounting. The courses include
  - Training in Accounting Skills & Knowledge (TASK)
  - Training for Excellence in Accountable Management (TEAM)
  - Training in Budgeting & Accounting System (TIBAS)
  - Building Essential Skills in Training (BEST)
  - Awareness in Audit Reforms (AWARE)
- Senior-level training courses in Government Financial Management with special emphasis on information technology
- Examination of the feasibility of introducing a distance learning program
- Diploma courses on auditing, finance, and management

FIMA is a unique institution of its kind. Concerted efforts are underway to develop the academy into a center of excellence in the field of public financial management.

Any reform agenda will fail to realize its potential unless the results of reform initiatives are fully internalized. Any possibility of losing the value of these reforms to the society should be guarded against carefully and addressed prudently. As a step towards internalizing reforms, the department is undertaking a wide consultative process involving key officials across the government to elicit their considered views on the direction of reforms as well as on the outputs of the reform initiatives. Conferences, seminars, workshops, discussion meetings, and other forms of communication are part of this process. Feedback and suggestions received from the participants are incorporated as appropriate for the reform initiatives.

There is a clear need of active support from the other key agencies in the accountability chain—the Parliament and the Executive.

Other Initiatives: Towards Enhancement of Effectiveness and Image Building

In order to support and institutionalize the above reform initiatives as well as to take care of specialized needs for professional and skill development, a Performance Audit Directorate, a Human Resource Development Cell, a Quality Assurance Cell, and an Executive Committee have been established within the department.

The Performance Audit Directorate was initially created as a cell and later converted to a full-fledged directorate. It has already picked up several important sectors in which to conduct performance audits. Performance audits have also been initiated under the STAG Project and funded by UNDP. The department's in-house experts and specialized consultants are carrying out these audits jointly. For the first time there has been outsourcing from the private sector to complement the skill and efforts of the department. This is an attempt to ensure a degree of sustainability and a step to further internalize reforms.

The Executive Committee, established in line with the experience of some developed countries, involves key senior officials in formulating strategic plans and work programs as part of participatory management.

The establishment of the Human Resources Development Cell is another important initiative towards developing an appropriate and effective strategy for developing a systematic and coherent human resources management strategy. In this regard, the department has taken a lead in public sector management in Bangladesh.

The principal thrust of our reform agenda is establishing the timeliness and the quality of audit. One of the major weaknesses in our audit had been the consistent lack of timeliness, which impaired the image of the institution as a "major informant" to the Parliament and a key player in the oversight function.

To clear the backlog, actions have been underway to update the audit reports to 1999–2000. To ensure timelines, audit reports for 2000–2001 on 14 key ministries were to be completed by December 31, 2001, within 6 months after the closing of the financial year. To establish quality, a carefully chosen quality assurance team has been commissioned. The team is at work and is examining the extent of the application of government auditing standards in carrying out audit as well as in reporting the results of audit. Increasingly, emphasis is being shifted to quality from quantity to fulfill the basic mandate of the institution.

A sound and effective internal control mechanism is a prerequisite for successful management. The department is taking a closer look at the internal oversight functions. For the first time in Bangladesh, a survey of internal control systems operating in various key government departments and public corporations has been undertaken to identify the inadequacies and system weaknesses prevalent in such organizations that hinder effective and proactive administration. The report has been submitted to the government with a proposal to entrust the department with the responsibility of setting internal control standards for public sector entities and to monitor the results. If the proposals are accepted, it would be a major stride towards proactive management for greater accountability and efficiency. It would be a major example of the initiation of public sector reforms by the Bangladesh OCAG.

As part of its image-building process, the department hosted for the first time an international conference on a very topical theme—Improving Oversight Functions: Challenges of the New Millennium—which brought together members of Parliament from home and abroad, auditors general of other countries, distinguished delegates, and experts from different oversight institutions across the five continents. Organized in cooperation with UNDP and the World Bank, the conference provided an excellent forum for deliberating issues surrounding the conference theme. The deliberations helped conference participants formulate important recommendations for improving financial oversight functions in Bangladesh.

For the first time, the Bangladesh OCAG was elected to the Board of Governors at the Triennial Assembly of the Asian Organization of Supreme Audit Institutions (ASOSAI) held in Thailand in October 2000. Following its election to the ASOSAI Governing Board and in recognition of its efforts to enhance international cooperation, the office was awarded the responsibility for organizing the prestigious ASOSAI Workshop on Financial Audit in September 2001. Sixteen countries participated, and Bangladesh was indeed privileged to host the workshop. It has greatly enhanced the image and prestige of theBangladesh OCAG, nationally and internationally. The arrangements, the professional approach, and the successful hosting of the workshop have been highly appreciated by the Board of Audit, Japan, and the administrator of ASOSAI training programs. In recognition of our commitment and contribution, at the recently concluded XVII International Congress of Supreme Audit Institutions (INCOSAI) held in

(continued on page 23)

Audit Profile: Audit Department of Negara Brunei Darussalam

By Chong Fu Li, Assistant Auditor General of Negara Brunei Darussalam

The Sultanate of Negara Brunei Darussalam (the Abode of Peace) lies in the northwest corner of the island of Borneo (the world's third largest island) along the shores of the South China Sea about 442 kilometers north of the equator. It has a total land area of 5,765 square kilometers and a 1998 population of 323,600.

Negara Brunei Darussalam assumed its independent and sovereign status on January 1, 1984. It is governed as a Malay Islamic Monarchy by the 29th ruler, His Majesty Sultan Haji Hassanal Bolkiah Muizzaddin Waddaulah, the Sultan and Yang Di-Pertuan. Brunei's royal heritage dates back 600 years to its famed first Sultan, Mohammad Shah, who reigned from 1363 to 1402.

History of the Brunei Audit Department

The Audit Department was first opened in 1935, when Brunei was still a British protectorate. Research on its development up to the Japanese occupation from December 16, 1941, to June 9, 1945, has not yet been undertaken. In 1949 the Audit Department of the government of the neighboring North Borneo state of Sarawak became responsible for auditing the Brunei government, and expatriate officers of Her Majesty The Queen's Overseas (Audit) Service made frequent visits from Sarawak to the Brunei Audit Department. When Brunei's Constitution was adopted in 1959, the first resident state auditor, an expatriate officer from Her Majesty The Queen's Overseas (Audit) Service, was appointed as Auditor General. The first local officer was appointed as the Auditor General in 1989.

Legal Authority and Independence

The Auditor General is appointed by His Majesty The Sultan and Yang Di-Pertuan in accordance with section 66 of the Constitution of Negara Brunei Darussalam. The Constitution provides that the Auditor General's term of office will be until he reaches the age of 55 and that the Auditor General may resign his office at any time. He shall only be removed from office on grounds of inability to perform the functions of his office (whether arising from infirmity of body or mind or any other cause) or misbehavior. According to the Constitution, the Auditor General can be removed only if his case has been investigated by a person who (1) holds or has held high judicial office in the commonwealth, (2) has been nominated for that purpose by His Majesty The Sultan and Yang Di-Pertuan, and (3) has recommended that the Auditor General should be so removed.

The Constitution reinforces the independence of the Auditor General in the following ways:

- The Auditor General reports directly to His Majesty The Sultan and Yang Di-Pertuan.
- The Auditor General's salary is charged to the Consolidated Fund.
- The Auditor General decides the types of audit to be carried out.
- The Auditor General has access to all records subject to his audit.

Scope of Audit Authority

Section 67 of the Constitution outlines the power and duties of the Auditor General, and the Audit Act (Cap 152) spells them out in greater detail. The Auditor General is mandated to audit the accounts of Negara Brunei Darussalam, which include the annual financial statement and the accounts of ministries, departments, overseas missions, and statutory entities.

However, by command of His Majesty The Sultan and Yang Di-Pertuan, effective September 25, 1997, the Auditor General was given a new mandate to audit the accounts of government-owned corporations (companies). To implement this new directive, the Audit Department has introduced new arrangements to handle the audits of these entities. These arrangements were based on relevant regulatory factors such as the Constitution, the provisions of the Audit Act, and the provisions of the Companies (Corporations) Act, which require government-owned corporations (companies) to appoint their own external auditors. Under the new arrangements, the Audit Department has implemented the following procedures:

- The Audit Department and the management of the government-owned corporations (companies) will jointly recommend an external auditor. However, the Auditor General has the prerogative to make the final decision should disagreement arise during the recommendation process.
- The Board of Directors of the government-owned corporations (companies) will appoint the external auditor.
- The Audit Department shall monitor and review the work of the external auditor.

Audit Department Organization

In carrying out his constitutional responsibilities, the Auditor General is assisted by a Deputy Auditor General, 4 Assistant Auditors General, and a total of 132 supporting staff. The Audit Department is divided into four main divisions, each of which is headed by an Assistant Auditor General, and a Technical Unit, which is headed by a Senior Auditor.

Main Division 1 is in charge of the audit of payroll (personal emoluments), retirement benefits (Pensions and Gratuities), and social benefits (Old Age Pension and Charity & Grants). Main Divisions 2 and 3 are responsible for financial and compliance audits of all government ministries and departments (revenue and expenditure accounts). Main Division 2 is also entrusted with the audit of the government of Negara Brunei Darussalam's annual account. Meanwhile, the audits of statutory entities, government-owned corporations (companies), value-for-money audits, and computer audits are under the jurisdiction of Main Division 4. The Technical Unit handles the audit of government construction projects.

Planning

The Audit Department prepares a strategic plan (a long-term, 5-year plan) and an annual plan. Each year, the Audit Department will perform a post-mortem to identify why any targets could not be achieved in order to improve its efficiency and effectiveness.

The main focus of the Audit Department is the audit of the annual financial statement. In this regard, the audits of the ministries, departments, and agencies have to be up-to-date to correlate with the audit of the annual financial statement. Because it is not possible to audit all ministries, departments, and agencies every year, the audits are selected based on a risk assessment. Thus, each division/unit has to prepare its audit plan and is required to submit monthly progress reports to the Auditor General to highlight any deviations from the plan. In addition, the head of each division or unit has to explain and justify the reasons for not meeting targets.

Reporting

The Constitution and Audit Act provide that the Auditor General may submit a report to His Majesty The Sultan and Yang Di-Pertuan at any time. Upon completion of an audit, the Audit Department issues preliminary advice, which contains a summary of significant audit findings and recommendations, to the head of department concerned. This is followed by an individual report to the auditee, copies of which are given to Permanent Secretary of the Prime Minister's Office, the Ministry of Finance, and the Supervising Ministry.

The Auditor General submits a quarterly report (which contains the findings of all reports issued for that quarter) and an annual report (which encompasses the audit of the annual financial statement and all major audit findings for the year) to His Majesty The Sultan and Yang Di-Pertuan. In addition, the Auditor General submits special audit reports concerning any mismanagement of government resources to His Majesty The Sultan and Yang Di-Pertuan. These reports are tabled before Council of Ministers' meetings for further deliberation and appropriate actions.

Human Resources Management

The Audit Department recruits three categories of employees**:**

- those from upper secondary school ('A' Level), for whom in-house training is provided,
- those with the Higher National Diploma (Associate Degree), and
- graduates from various disciplines.

Training is essential to keep abreast of the latest developments and to maintain the professionalism of the staff. Therefore, to equip the staff to face the challenges of rapid developments in infrastructure, technology, and the economy, the Audit Department sends its staff for training both locally and abroad to attain professional qualifications and experiences. In addition, audit staff are encouraged to take the initiative to further their studies by, for example, enrolling in postgraduate courses to expand their knowledge and ability to perform their jobs.

Future Prospects

The main issue the Audit Department has been trying to address is amending the Audit Act, because currently it does not include the mandate to carry out value-for-money audits, even though the Audit Department has already embarked on these audits. The following constitute other challenges the Audit Department faces:

- issuing an up-to-date annual report,
- recruiting professionally qualified staff,
- automating the audit process,
- addressing the shortage of staff caused by its new mandate and wider scope of audit,
- producing quality and timely audit products, and
- carrying out more value-for-money audits.

For more information, please contact the Audit Department, Jalan Menteri Besar, Bandar Seri Begawan BB 3910, Negara Brunei Darussalam; tel: 2-380576; fax: 2-380769; e-mail: jabaudbd@brunet.bn or www.audit.gov.bn. ■

Reports in Print

For over a decade, the U.S. General Accounting Office (GAO) has collected a large body of work describing best practices in audit processes, practices, and systems used by organizations known for their excellence in various areas of management. These best practices serve as a model for other organizations with similar functions or missions. GAO's web site includes a list of GAO's best practices reviews in nine management areas. It also includes comparative benchmarking studies, which compare the practices of government agencies with best practices for similar processes of leading organizations, and best practices methodology studies, which provide a framework for assessing operations based on identified best practices. This information can be found under the "Special Collections" section of the GAO Reports page on the Internet (www.gao.gov/bestpractices).

*****

The European Court of Auditor's 24th Annual Report (on the financial year 2000) is now available for *Journal* readers. The annual report is a component of the discharge procedures granted by the European Parliament. It consists of a report on activities financed from the general budget and a report on the activities of the sixth, seventh, and eighth European development funds. The observations in the report arise from the court's audit of revenue and expenditure, including its audit from the point of view of sound financial management. The report is available on the European Court of Auditor's Internet site at www.eca.eu.int in all community languages.

*****

GAO's assessment tool for evaluating the process government agencies use to determine where to invest their information technology dollars is gaining acceptance throughout government and the private sector, according to feedback provided at a recent workshop on information technology investment management. GAO developed the assessment tool, *Information Technology Management: A Framework for Assessing and Improving Process Maturity* (GAO/AIMD-10.1.23), to help agencies comply with requirements for assessing the maturity of information technology planning and investment control processes mandated in the Clinger-Cohen Act. Since its issuance, the assessment tool has been used by federal agencies and consulting firms. For more information about the publication and how you can obtain it, contact GAO's Office of External Liaison by e-mail: el@gao.gov or telephone: (202) 512-7260.

*****

Detection and prevention of fraud continues to be of interest to *Journal* readers. A new book, *Financial Statement Fraud, Prevention and Detection*, is now available. Written by Zabihollah Rezaee, with a foreword by Joseph T. Wells, the book is a valuable reference guide for fraud examiners, audit committees, management, and regulators. The primary focus of the book is on financial statement fraud prevention and detection. Financial statement fraud is defined as deliberate and material misstatement of financial statements issued by publicly traded companies to mislead users of financial statements, particularly investors and creditors. The study of financial statement fraud is valuable primarily because the efficiency and health of the capital markets largely depend on the quality, integrity, usefulness, and reliability of the financial information received by the market. Financial statement fraud can significantly contribute to unhealthy and inefficient capital markets. Therefore, the prevention and detection of financial statement fraud is crucial to the economic growth and prosperity of a nation. The book is published in English by John Wiley & Sons, Inc., 605 Third Avenue, New York, N.Y. 10158 (telephone: (212) 850-6336). The book costs $65.00.

*****

The government of Canada has released its report, *Canada's Performance 2001*, which contains a suite of societal indicators that provides a snapshot of the quality of life in Canada. The report is significant because, for the first time, the government offers a context with which governments and citizens can focus their attention on the long-term health, well-being, and prosperity of Canada. *Canada's Performance 2001* is the seventh annual report to the Parliament on government performance. However, previous reports have not provided the context, focus, continuity, and candor found in the current report. As a result, this report is important because it builds on the best traditions of some key provincial government initiatives in the area. The report is available through the Canadian Comprehensive Audit Foundation's (CCAF) Web site, www.ccaf-fcvi.com/html/english/canada_perform _ 2001_entry.html. ■

Inside INTOSAI

Inaugural Meeting of INTOSAI's Working Group on the Audit of International Institutions

The first meeting of the Working Group on the Audit of International Institutions was hosted by the auditor general of South Africa and took place in Pretoria from January 30 through February 1 of this year. Delegates from 11 supreme audit institutions (SAI) were present: Austria, Denmark, India, Japan, Nepal, Norway, Saudi Arabia, South Africa, South Korea, the United Kingdom, and Venezuela. Other SAIs have also expressed interest in participating in the group.

The working group was formed at the XVII INCOSAI in Seoul in October 2001. The participants agreed to establish an ad hoc working group, made up of a limited number of interested SAIs, to elaborate on and propose supplementary guidance on SAIs' audits of international institutions. The INTOSAI Governing Board appointed Riksrevisjonen, the Office of the Auditor General of Norway, to chair the group.

The working group's mandate is to elaborate and propose supplementary guidance on SAIs' audits of international institutions. The supplementary guidance that the group will propose will cover issues such as audit mandate, system of appointment, resources, and application of auditing standards. The working group will not cover the established United Nations' audit system. The delegates also agreed that the group should reaffirm the benefits of external audits by SAIs or auditors seconded by SAIs of member states, and consider how to best promote the involvement of SAIs of developing nations in these audits.

At its first meeting, the working group decided that its primary focus would be to

- establish a clear set of principles governing the independent external audit of international institutions, INTOSAI standards and guidelines;
- identify ways to promote these principles to international institutions through their member states;
- establish practical guidelines to assist INTOSAI members in carrying out audits of international institutions; and
- provide a more rigorous definition and categorization of international institutions, recognizing that the production of a definitive and up-to-date list may be beyond its capacity.

The working group will draw to the attention of INTOSAI Governing Board any matters arising during its work on international institutions that go beyond its existing mandate and may have wider implications for member SAIs.

At the meeting, the delegates agreed on the terms of reference for the working group, which will be presented to the INTOSAI Governing Board at the October 2002 meeting in Vienna. In addition, the member SAIs are preparing several working documents for the working group's next meeting, which will take place from June 19 through 21 2002 in Oslo. The working group will present its final products for consideration and approval at the XVIII INCOSAI in Budapest in 2004.

INTOSAI Working Group on the Audit of International Institutions meeting in Pretoria, South Africa.

Strategic Planning Task Force Meets in Washington

INTOSAI's Strategic Planning Task Force, established by the Governing Board in Seoul in October 2001, held its initial meeting in Washington, D.C., on April 25–26, 2002. Chaired by U.S. Comptroller General David Walker, the Task Force was created as INTOSAI approaches its 50th anniversary in 2003, and its mandate from the Governing Board is to develop a strategic planning framework that can guide INTOSAI into the 21st century.

Auditors General and senior staff from all 10 SAIs on the Task Force–Antigua and Barbuda, Austria, Burkina Faso, Korea, Norway, Peru, Saudi Arabia, Tonga, the United Kingdom, and the United States—attended the Washington meeting. The meeting used a brainstorming approach to encourage open and frank discussions and deliberations, and it resulted in agreement on the basic elements of a draft framework for INTOSAI's strategic plan, including proposed statements of the organization's vision, mission, strategic goals, operational objectives, and core values.

INTOSAI Chairman Dr. Jong-Nam Lee, Chairman of the Board of Audit and Inspection of Korea and host of the 17th INCOSAI in Seoul, sent a congratulatory letter to the Task Force in which he said, "As we all recognized in Seoul last year, our world in the 21st century is bringing to all of us rapid and unpredictable changes we had not seen in the last century. Important dynamic themes will influence our society on a variety of levels in the future. In the midst of global changes, INTOSAI needs a plan for new beginnings to help the SAIs better respond to the needs of the future. The strategic planning framework will revitalize and reinvigorate INTOSAI, and help it meet its commitments to its members."

To ensure wide participation in the strategic planning process and to reflect the views of member SAIs, the draft framework will next be circulated to the Governing Board, regional working groups, and committee chairs for comment. The framework will then be presented for discussion and approval at the Governing Board meeting scheduled for Vienna, Austria, on October 16–18, 2002. With Board approval, the Task Force will develop the framework further for consideration and approval by the full membership at the next INTOSAI Congress in Budapest in 2004.

For more information on the Task Force, contact the chair at: U.S. General Accounting Office, 441 G Street, N.W., External Liaison, Room 7826, Washington, D.C. 20548 USA (tel: 202-512-4707; fax: 202-512-4021; e-mail: el@gao.gov).

Members of the INTOSAI Strategic Planning Task Force took a break from their deliberations to pose for a group photo. From left to right are: Mr. Quedraogo, Auditor General of Burkina Faso; Ms. Kabora, Burkina Faso; Mr. Borge, Norway/IDI; Mr. Engeseth, Norway; Mr. Kellner, Austria/General Secretariat; Mr. Lee, Korea; Mr. Matute, Comptroller General of Peru; Mr. Kim, Korea; Mr. Mork-Eidem, Auditor General of Norway; Mr. Walker, Comptroller General of the United States and Task Force chairman; Ms. Armstrong, Auditor General of Antigua and Barbuda; Mr. Al-Ibrahim, Saudi Arabia; Mr. Edwards (observer), Auditor General of St. Kitts and Nevis; Mr. Sinclair, United Kingdom; Dr. Tu'i'onetoa, Auditor General of Tonga; and Mr. Maggs, United Kingdom.

IDI Update

The INTOSAI Development Initiative (IDI) Update keeps you informed of developments in the work and programs of IDI. To find out more about IDI and to keep up to date between editions of the journal, check the IDI website: **www.**idi.no.

General Guidelines for SAI Trainers

This landmark publication, was recently published on the IDI website. The guidelines, which are a work in progress and can be developed independently by regions, are based on IDI's many years of experience in developing and delivering the Long Term Regional Training Program (LTRTP). English and Spanish versions of the guidelines are now available, and French and Arabic versions are currently in production.

The International Dimension

In the last two issues of the *Journal*, we reported that the IDI Secretariat in Oslo had broadened the international makeup of its staff to include individuals from Norway, Japan, Canada, Estonia, and the United Kingdom. IDI is pleased to announce that Luis Esteban Arrieta Castellar will also join the team in September 2002, seconded from the Office of the Controller General of Colombia.

ASOSAI IT Audit Workshop

At the beginning of March in New Delhi, India, several ASOSAI graduates of the LTRTP delivered a 2-week information technology (IT) audit workshop to participants from SAIs in the region. The courseware from this workshop will be made available to IDI graduates from other INTOSAI regions in CD-ROM format.

Cooperation with Other INTOSAI Regions

IDI is finalizing agreements regarding future cooperation with ARABOSAI, ASOSAI, and SPASAI. ARABOSAI has requested a second round of the "train-the-trainers" program and assistance on development of its own website.

To further build up capacity in performance auditing, SPASAI will launch a development program for trainers, starting with a 2-day seminar for auditors general and senior management in May 2002. The program will be delivered through a cooperative agreement between SPASAI, the Asian Development Bank (ADB), and IDI.

IDI will also be involved in the second "train-the-trainers" program in ASOSAI. The first activity in the program will be the 7-week Course Design and Instructor Techniques Workshop, which will be delivered by several ASOSAI training specialists. While ADB will be the main sponsor of this program, IDI will provide personnel to help deliver certain activities in the program. The Government Auditing Foundation of Japan, as the executing agency, will manage the program in close coordination with the ASOSAI Secretariat in India and Training Administrator in Japan.

Contacting the IDI

If you would like to discuss any of the issue raised in this IDI Update, please contact IDI by telephone at 47 22 24 13 49 or by e-mail at idi@idi.no.

Reform Initiatives in Bangladesh **(continued from page 17)**

Seoul, Korea, the Bangladesh OCAG was proposed for inclusion in the following standing committees of the International Organization of Supreme Audit Institutions (INTOSAI):

- Internal Control Standards Committee,
- Working Group on Environmental Auditing, and
- Working Group on Program Evaluation.

Bangladesh was earlier included in the INTOSAI Working Group on Audit of Privatization. Since then, Bangladesh has been included in the INTOSAI Committee on Internal Control Standards. The Bangladesh OCAG's inclusion in two other standing committees is well in progress.

Conclusion

The initiatives described in this report are part of the first generation of Bangladesh reforms in government auditing and are in conformity with the country's reforms in public sector financial management. To sustain the results of these initiatives, there is a need for strategic reforms that warrants systemic, institutional, and structural changes. Implementation of such reforms would require consistent efforts and an environment that supports changes for better results.

In all our reform endeavors, while we seek support from within the Parliament and the government, we also look to the support and cooperation of our audit fraternity and development partners to reinforce and sustain our efforts.

In an ever-changing world of management, with new and emerging challenges, we in our nations' SAIs need to cooperate to secure an environment that enables us to work to our full potential to help ensure the accountability and transparency that support modern management practices and lead to the efficient, economic, and effective use of public resources.

For more information, contact: Office of the Comptroller and Auditor General, Dhaka-1000, Bangladesh, tel: ++880 (2) 831 46 53, 831 83 95-8, 831 82 40-3, fax: ++880 (2) 831 26 90, e-mail: saibd@citechco.net, or www.cagbd.org. ■

2002/2003 Calendar of INTOSAI Events

April

15th UN/INTOSAI Seminar
Vienna, Austria
April 8-12

Strategic Planning Task Force
Washington, D.C.
April 25-26

May

V EUROSAI Congress
Moscow, Russia
May 27-31

June

Public Debt Committee Meeting
Stockholm, Sweden
June 6-7

Privatization Committee Meeting
Oslo, Norway
June 10-11

July

IInd EUROSAI/OLACEFS Conference
Cartagena, Colombia
July 10-11

August

September

October

50th INTOSAI Governing Board Meeting
Vienna, Austria
October 16-18

31st ASOSAI Governing Board Meeting
Manila, Philippines
October 22-24

November

EDP Audit Committee Meeting
New Delhi, India
November 27-29

December

2003
January

February

March

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

International Journal of Government Auditing

INDEX—VOLUME 28—2001

ARTICLES

AUDIT PROFILES

EDITORIALS

INSIDE INTOSAI

NEWS IN BRIEFS