International Journal

of GOVERNMENT AUDITING

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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:

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

The *Journal* is distributed to INTOSAI members and other interested parties at no cost. It is also available electronically at *www.intosai.org* and by contacting the *Journal* at *spel@gao.gov*.

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A Guide to the New INTOSAI Journal Web Site

In the April 2007 issue, we announced the launch of the *Journal's* new Web site (*www.intosaijournal.org*). As David M. Walker, Chairman of the Board of Editors, noted in his letter, this site is designed to make the *Journal* more useful to INTOSAI members, more accessible to our global readership, and more user friendly. In this issue, we would like to take the opportunity to provide some useful guidance on how to navigate the new site.
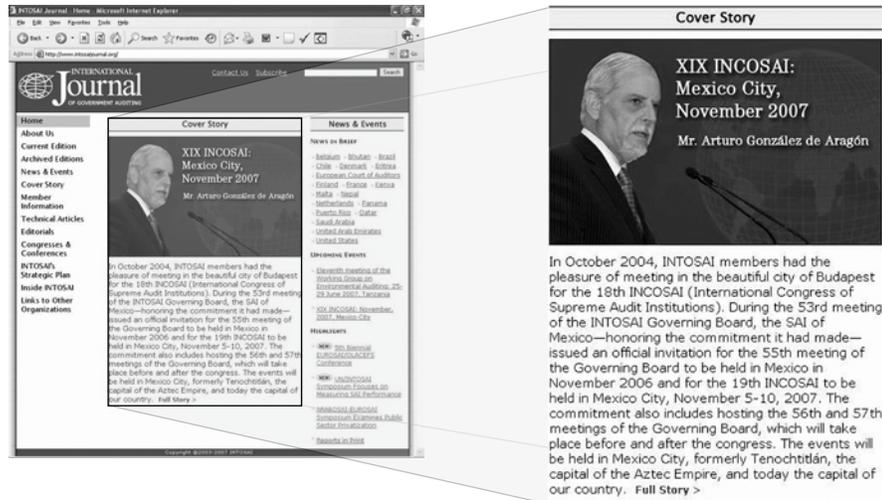
Our home page is divided into three main areas—cover story, news and events, and a navigation menu for all key components of the *Journal*. The cover story (the current issue's editorial) is featured most prominently in the center of the home page. Although the story begins on the home page, you can access the complete version by clicking on "Full Story" at the bottom of the page.
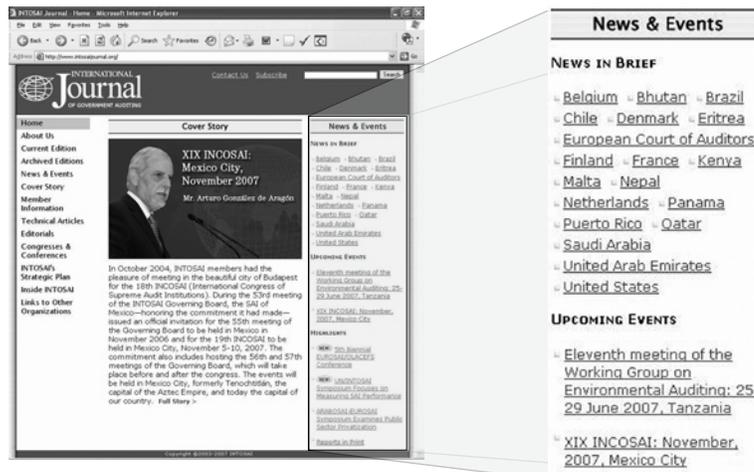
The news and events section features the most recent news briefs we have received from SAIs, upcoming events in the INTOSAI community, and something we call "highlights." These are articles or news items that we think are particularly noteworthy. As we continue to develop the site, you will also begin to find more "breaking news" items in this section of the Web site. These items will be marked by a (NEW!) icon. For example, as of the publication date of this issue, a breaking news item about a recent global forum on reinventing government has been posted.
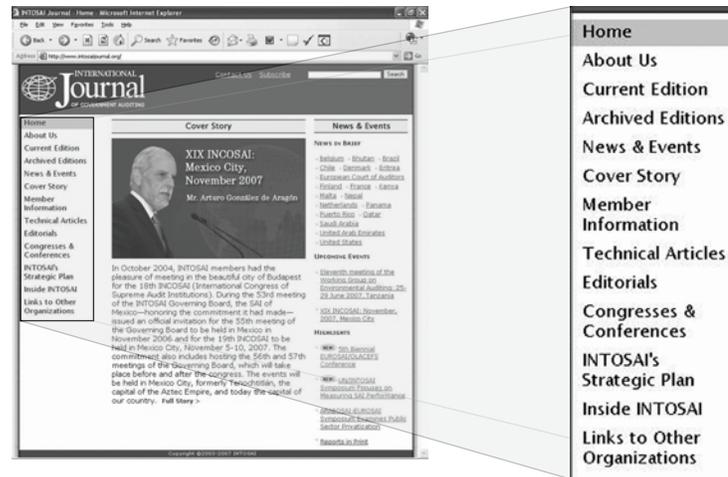
The key to the site's entire contents is the navigation menu on the left-hand side of the home page. Here, you can access a PDF copy of current and archived issues, links to technical articles from current and past issues, and links to past editorials. These items are organized chronologically. You can also find information on recent INTOSAI congresses and conferences held by all regional INTOSAI bodies—AFROSAI, ARABOSAI, ASOSAI, CAROSAI, EUROSAI, OLACEFS, SPASAI, and the Commonwealth Auditors General. Under the menu item called "INTOSAI's Strategic Plan," you will find both a copy of the strategic plan and current and past contributions to our "Spotlight on the Strategic Plan" feature, which focuses on actions that INTOSAI is taking to implement the strategic plan. For example, it includes a piece from the January 2007 issue about the 55th annual meeting of the INTOSAI Governing Board and its discussion of the strategic plan's four major goals. By clicking on the "Inside INTOSAI" link, you will find current and past items from the Inside INTOSAI and IDI update sections of the *Journal*. These items detail the activities of INTOSAI committees and working groups as well as the INTOSAI Development Initiative. These items may include reports on meetings, seminars, standards and guidelines, training, methodology, and best practices. At the bottom of the navigation menu is a section providing links to other organizations. For example, the section currently provides links to INTOSAI, the INTOSAI Development Initiative, and the ASOSAI and EUROSAI journals.

Perhaps the most exciting feature of the new Web site is the member information section. Here, you will find a list of all SAIs that belong to INTOSAI with contact

information for each. Clicking on the e-mail addresses shown for the SAIs automatically opens an e-mail application window on your computer screen, allowing you to connect directly with your colleagues in the INTOSAI community. By clicking on an individual country's name, you will also find past news briefs on that particular SAI, as well as an audit profile of the institution if one has been published. Navigating this section is easy. Simply click on the first letter of the country's name from the alphabetical menu at the top, and that SAI's section will appear. Links back to the top of the alphabetical menu are included throughout this section at the top of the page, so you do not have to scroll throughout the section unnecessarily.

At the top of each page of our Web site, you will find three features: our contact information, a subscription link, and the site's search function. The contact information section informs you how to contact us by e-mail, telephone, fax, or mail. The subscription link tells you how to sign up to receive announcements when each new quarterly issue of the *Journal* has been posted to the site. Finally, the search function allows you to find current and past issues of the *Journal* specifically related to the topic you are interested in.

We hope that this new site will be a useful tool for you to stay informed about INTOSAI events, connect with the INTOSAI community, and learn more about international government auditing issues and best practices. The site is designed to support all four goals of the INTOSAI strategic plan, and it is our hope that we have, at least in part, succeeded in doing so. While we are pleased with the progress we have made, we also recognize that we can do more to further develop and improve the site. For example, we plan to explore the possibility of sponsoring "virtual chat rooms" with the authors of technical articles, organizing materials by topic, streamlining our search function, and posting an INTOSAI calendar.

We at the *Journal* will appreciate any feedback you provide on the new Web site and any ideas you have for continued improvement. To share your thoughts, opinions, and suggestions, please contact us at *intosaijournal@gao.gov*.

NEWS
IN *brief*
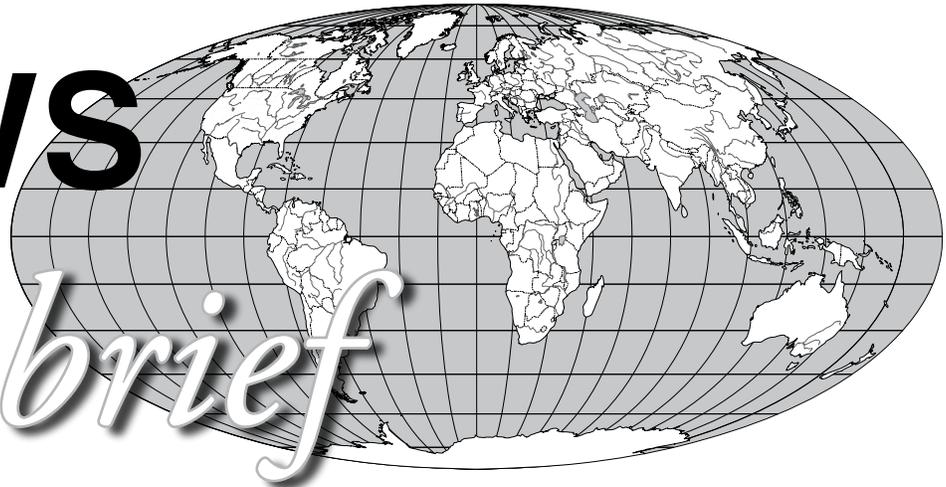
Azerbaijan

New Chairman of the Chamber of Accounts

On April 17, 2007, Heydar Khanish oglu Asadov became the new Chairman of the Chamber of Accounts of the Republic of Azerbaijan. He comes to the Chamber of Accounts from the Ministry of Finance, where he had served as the General Director of State Head Treasury since 1996. Mr. Asadov is a graduate of the accounting faculty of the State Economics Institute and completed his doctoral studies at Marmara University in Turkey in 1994. He taught at the Azerbaijan State Economics Institute until 1995, when he was appointed Azerbaijan's Deputy Minister of Finance. Mr. Asadov is the author of three monographs and over 30 other scientific works.

For additional information, contact the Chamber of Accounts:

> Fax: ++994 12 93 20 25
> E-mail: *office@ach.gov.az*
> Web site: *www.ach.gov.az*

Chile

New Comptroller General

Ramiro Alfonso Mendoza became the Comptroller General of Chile on April 10, 2007, after being nominated to the post by the president of Chile and ratified by the Senate.

Ramiro Alfonso Mendoza

In 1988, Mr. Mendoza received his law degree, with honors, from the University of Chile. He has extensive academic experience in many institutions of higher education in Chile. He has also taught postgraduate courses as a visiting professor in

Chile and several neighboring Latin American countries.

He has been a professor of administrative law in the University of Chile, the Catholic University of Chile, the Northern and Central Catholic universities, as well as the Gabriela Mistral, Finis Terrae, and Andes universities. Since 2002, he has been a professor in the magister (master's) program in business law of the Development University of Concepción and a member of the Academic Committee. At several universities, he has given classes in the master's programs in constitutional and public institutional law. Since 2005, he has been a professor in the diploma program of economic/administrative law and the masters of business law at Adolfo Ibáñez University. He has held an academic post in the master's program in public law of the Catholic University since 1992.

Before being named Comptroller General, Mr. Mendoza was a partner in a law firm specializing in regulatory affairs.

Mr. Mendoza is also the author of many articles on administrative law.

For additional information, contact the Office of the Comptroller General:

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> contraloria.cl*
> Web site: *www.contraloria.cl*

Georgia

New Chairman of Chamber of Control

On May 11, 2007, Levan Choladze was appointed the new chairman of the Chamber of Control of Georgia. Prior to his appointment, Mr. Choladze held a number of governmental

positions. From December 2005 through May 2007, he was the Deputy Minister of Foreign Affairs. He held several positions on the National Security Council from June 2004 through December 2005, including that of National Security Advisor to the president of Georgia. He also served in the Ministry of Defense as Head of the Defense Minister's office and Deputy Director of Defense Policy and International Relations.

Mr. Choladze is the coauthor of the Georgian organic law on the National Security Council, which was adopted in November 2004. Since 2004, he has chaired working groups elaborating a national security concept and national anticorruption strategy for Georgia. Mr. Choladze holds the diplomatic rank of Ambassador Extraordinary and Plenipotentiary and the civil service rank of first class state chancellor.

For additional information, contact the Chamber of Control:

> Fax: ++995 (32) 78 81 84
> E-mail: *chamber@geomail.ge*
> Web site: *www.control.ge*

Hungary

State Audit Office Prepares Principles to Update Public Finance Regulation

The State Audit Office of Hungary (SAO) prepared a set of principles to provide the basis for drafting the new public finance regulation, which will replace Act XXXVIII of 1992 on public finances.

Developing the principles was part of the SAO's strategic goals for 2006–2010 to support transparent and operational public finance, reinforce budgetary responsibility, and initiate other necessary changes. In the

framework of its advisory capacity, the SAO initiated the renewal of procedures applicable to the operation, planning, accounting, and control of public finances and full and consistent regulation of the financial management of public property.

Based on its audit experience, including expressing opinions on budget bills and preparing reports on final accounts, the SAO had proposed several times that the regulation on the management of public funds be comprehensively modernized. The SAO also offered to lay the foundation for the new regulation on public finances to give an impetus to the modernization effort.

The principles were submitted to the Hungarian National Assembly in May 2007 as an annex to the Report on the Activities of the State Audit Office of Hungary for 2006. The National Assembly viewed the principles favorably, and the regulation is likely to be drafted in the near future. The regulation will be based on the principles and will use SAO contributions to refine and clarify methods of improvement.

For additional information, please contact the SAO:

> Fax: ++36-1-484-9295
> E-mail: *international@asz.hu*
> Web site: *www.asz.hu*

Iraq

Board of Supreme Audit Celebrates 80th Anniversary

Members of Iraq's Board of Supreme Audit (BSA) celebrated the agency's 80th anniversary on March 9, 2007. The celebration was attended by BSA president Abdul Basit T. Saeed, deputy

president Mahmoud R. Ibrahim, and several BSA directors general.

The BSA was established on March 9, 1927. Over the course of its history, the agency has undergone many changes and has been recognized for its contributions to the fields of training and research at international gatherings. The BSA's training program was strengthened through staff participation in training programs both inside and outside of Iraq in cooperation with international organizations and training institutions.

The BSA has increased its international contacts through cooperation with INTOSAI and its regional working groups and through bilateral relations with SAIs around the world.

In addition, BSA's translation department translated the July 2006 issue of this *Journal* into Arabic.

For additional information, contact the BSA:

> Fax: ++964 1 537 2622,
>   1 537 6975
> E-mail: *bsairaq2@yahoo.com*
> WWW: *www.bsairaq.net*

Japan

Annual *Government Auditing Review* Issued

In March 2007, Japan's Board of Audit published the 14th issue of its *Government Auditing Review*. The *Review* is published yearly and consists of papers written by academics from universities and staffs from Japanese governmental institutions. These papers cover a wide range of issues related to governmental auditing, such as finance, public accounting, public administration, and public economics. This volume includes articles about

public sector accounting, financial reporting, and departmental financial statements. Articles in the *Review* are available at *www.jbaudit.go.jp/kanren/frt41.htm*.

For additional information, contact the Board of Audit of Japan:

> Fax: ++81 (3) 32 92 - 6915
> E-mail: *liaison@jbaudit.go.jp*
> Web site: *www.jbaudit.go.jp/engl/*

Paraguay

SAI to Participate in Millennium Challenge Corporation Threshold Program

In May 2007, the governments of the United States and Paraguay signed a bilateral agreement approving a threshold program for Paraguay. The program will focus on curbing corruption through funding initiatives that strengthen the rule of law and create conditions conducive to economic growth and poverty reduction. Upon completion of the 2-year threshold program, Paraguay, along with seven other countries, hopes to qualify for compact assistance under the Millennium Challenge Account, a U.S. government initiative that works with developing nations seeking to improve transparency and accountability in their governance and to enhance the prosperity and well-being of their people.

The Office of the Comptroller General of Paraguay has been selected as one of the participants in the threshold program and thereby is in the vanguard of efforts to modernize public management. The program includes the following components: public ethics, quality management, internal audit, standards, citizen

audits, and public communication. Work plans have been developed for each component and work is under way. The final goal is for the SAI to receive international ISO 9001/2000 certification.

For additional information, contact the Office of the Comptroller General:

> Fax: ++595 (21) 60 11 52
> E-mail: *cgr@contraloria.gov.py*
> Web site: *www.contraloria.gov.py*

United States

GAO's Strategic Plan Updated

In March 2007, the U.S. Government Accountability Office (GAO) issued an update to its strategic plan. The updated strategic plan covers 2007-2012 and is the third update since GAO first issued a strategic plan in 2000. The plan describes GAO's proposed goals and strategies for supporting the Congress and the nation in facing the challenges of a rapidly changing world.

Seven broad themes provide the context for GAO's strategic plan—changing security threats, sustainability concerns, economic growth and competitiveness, global interdependency, societal change, quality of life, and science and technology.

GAO separately published an excerpt from the strategic plan focusing on the implications of the plan's themes. This document—*Forces That Will Shape America's Future: The Themes from GAO's Strategic Plan*—provides detailed descriptions of the key themes and issues along with some implications for governance.

The updated strategic plan and the themes document are both available

on GAO's Web site at *www.gao.gov/ sp.html*.

For additional information, contact GAO:

    Fax: ++1 (202) 512-4021
    E-mail: *spel@gao.gov*
    Web site: *www.gao.gov*

The SAI's Role in Combating Corruption

By Dr. Klaus-Henning Busse, INTOSAI Director of Strategic Planning

For many years, INTOSAI has championed the fight against corruption. In 1998, the role of supreme audit institutions (SAI) in preventing and detecting corruption was the theme at the INTOSAI congress in Montevideo. INTOSAI's current strategic plan for 2005–2010 states that SAIs should assist governments in fighting corruption.

As part of their audit work, SAIs are in fact committed to preventing—or rather containing—corruption. In accordance with the recommendations of the Montevideo congress, SAIs should encourage governments to strengthen their internal control systems, enhance staff resistance to attempts at bribery, and closely monitor areas prone to corruption. In many countries, SAIs can rely on anticorruption laws and regulations and audit compliance therewith. Among other things, SAIs verify whether at least two persons are authorizing payments; whether there is a strict separation of needs specification, planning, contracting, and accounting and settlement in government procurement; and whether staff in areas prone to corruption (such as procurement, construction, and licensing) are being rotated. If anticorruption provisions have not yet been enacted or are being insufficiently implemented, SAIs can point out the losses that governments may incur because of legislative gaps and call for the adoption of anticorruption measures.

Detecting corruption, however, is a more difficult endeavor. For this reason, a number of SAIs are reluctant to fight corruption at this level, an issue that was also raised by the Montevideo congress. Some SAIs even sounded a word of caution against becoming too active in this area.

At a recent seminar on the role and responsibilities of SAIs, it was openly stated that the fight against corruption is not inherently a task of government audit institutions. Auditing for corruption, it was argued, would undermine the trust between the SAI and the auditee. Merely knowing that the audit might be geared to detecting corruption could prompt the auditee to adopt a defensive stance and jeopardize the cooperation based on mutual trust that is an essential prerequisite of successful audits.

At the seminar, it was also pointed out that the SAI's right to inspect files is limited to documents and records of government agencies subject to its audit mandate. In general, SAIs are not allowed to carry out audit investigations of private persons or companies. Some of the seminar participants felt that the involvement of SAIs in such activities might actually hinder rather than help the implementation of measures to effectively detect corruption. It was argued that public prosecutors that have the authority to investigate both the public and private sectors are better equipped to fight against corruption and are therefore in a better position to carry out this task. Reference was also made to agencies such as OLAF, the European Union's Anti-Fraud Office, and the Malaysian Anti-Corruption Agency, which were set up specifically to counteract corruption in some countries and were better placed to detect it.

This position, however, is inconsistent with the guiding principles INTOSAI previously set out and is untenable to the public. Taxpayers would certainly not understand why SAIs, which operate on taxpayers' money, do not orient their audits toward detecting corruption, no matter what the reason. Corruption, after all, is much more harmful and dangerous to public finance than other infringements of the law or violations of the principle of economy that SAIs usually highlight in their audit reports. Taxpayers expect SAIs to become active wherever there is an imminent danger or risk to taxpayers' money.

This position is equally harmful to SAIs. If they choose to distance themselves from such a vital and high-profile field of audit, they run the risk of being relegated to the sidelines. Setting up specialized agencies to fight corruption should be only the first step in effectively fighting against corruption.

This view is fueled by the fear that SAIs may fail to deliver when auditing for corruption. Audits to detect corruption that do not produce tangible results may tarnish an SAI's good standing.

It is true that auditing to detect corruption is not an easy task and often doomed to fail without in-depth preparation of the auditors. Perpetrators of corruption tend to be intelligent and know how to cover the evidence of their acts. This is why it is so difficult to identify and interpret signs and clues that may point to corruption.

Audits can be successful only if auditors understand the nature of corruption, recognize circumstances suggestive of corruption, and know how to proceed if clues are identified. The possibility of corruption must always be kept in the back of the auditor's mind even if deviations from standard procedures are only minor; it is then important to validate those clues step by step or to discard suspicions as soon as they are cleared.

The following example illustrates this point.

> In a procurement audit at a government department, the auditor looked at a long-term contract with a paper manufacturer to supply paper to subordinate agencies and found that the quantities agreed upon were lower than the amounts actually invoiced and paid. Moreover, the number of agencies to be supplied had dropped significantly compared to the contractually specified number in the wake of an administrative reorganization that was implemented shortly after the contract had been concluded. Both circumstances added to the paper manufacturer's profits because the contractually agreed-upon price had been calculated based on lower quantities and on a larger number of agencies to be supplied.
>
> Further enquiries by the auditor revealed that the higher demand for paper and the upcoming reorganization must have been known at the time the contract was concluded.

Additional investigation and interviews with the staff members responsible for drafting the contract brought the following to light: One of the staff members preparing the bid had informed a paper manufacturer he knew that he would state the quantities and the number of agencies to be supplied in the specification favorably in return for 1 percent of sales. Anticipating higher returns, the manufacturer accepted this proposal.

Aware that "nothing succeeds like success," the auditor then looked into the conduct of that staff member on earlier occasions and detected similar instances of corruption.

No public prosecutor or special investigation unit would have been able to uncover this case of corruption. Only a vigilant auditor who examined the accounts and was aware of what the contractual impropriety could actually mean could detect a hint of the irregularity. Because SAIs are intimately familiar with accounts and other records and because they audit the invoicing and settlement of transactions closely, they are ideally positioned to play a key role in the fight against corruption.

Sometimes, the facts in a case are more complex. A particular degree of vigilance and expertise is required to frustrate attempts to cover up evidence of criminal action. The following example illustrates this point:

An SAI audited the construction of a large, special-purpose sea vessel. A call for bids to supply the ship's diesel engine was sent out. Leading worldwide suppliers of ship diesel engines submitted their bids. A national supplier won the contract, which was worth several million euros.

The construction documentation contained a letter from an unsuccessful bidder complaining that the plans had been tailor-made for the successful bidder. Comparing the construction plans of similar ships, the auditor found that the design of the ship's power room was, indeed, not standard. The planner could not offer a reasonable explanation for the deviations.

The SAI then asked a naval engineer to give an expert opinion on the plans. He confirmed that the engine room design was unusual, unwarranted, and even uneconomical.

The SAI notified the public prosecutor of these findings. The prosecutor had the accounts of the engine supplier seized; further investigations revealed that a payment related to the contract had been made to the designer of the vessel.

Eventually, it was found that the engine supplier had promised to pay U.S. $100,000 to the planner if he won the bid and was chosen to supply the diesel engine. The planner had designed the power room in a way that favored the standard diesel engine supplied by that vendor.

In most corruption cases, graft money comes from state coffers in the guise of extra profits. In these cases, supplies or services are overpriced or are not delivered at all. To recognize this, SAIs and auditors must be able to judge whether there is a disparity between performance and consideration. This requires particular expertise. SAIs without the required in-house skills may have to resort to contracting external experts. However, at least in those areas most susceptible to corruption, SAIs should be able to draw on their own qualified audit staff.

While SAIs have fewer investigative powers than public prosecutors, this disadvantage is more than offset by the SAIs' closer familiarity with auditee accounts and the expert knowledge of their staff. In their audits, SAIs scrutinize government accounts, analyze them from different angles, and acquire a more in-depth, insider's view than that of the Ministry of Finance. By taking a close look at the financial management process, SAIs and their auditors are thus in a position to detect anomalies and deviations from standard procedures and identify irregularities such as corruption. The public prosecutor is just an outsider; for him, the government accounts may be nothing but a black box.

Obviously, the best results in the fight against corruption can be achieved if SAIs and public prosecutors work together, as can be seen from the second case study. The SAI's specialized know-how, linked with the public prosecutor's sweeping powers of investigation, is the most powerful weapon against corruption. In the common interest, both should be used, especially in high-risk countries and areas.

Given the urgent need to address the problem of corruption, the time has come for INTOSAI to take practical actions to flesh out the guiding principles laid down in its strategic plan. SAIs should not only be supported in the prevention of corruption but also be empowered to play a successful role in detecting past corruption. An anticorruption working group, modeled on the working group to fight money laundering, could be a first step. This group could first collect information on past SAI activities and then work out best practices as well as a strategy for government audit to fight corruption.

For additional information, please contact the author at *busse@rechnungshof.gv.at*.

Developing International Standards and Guidelines for SAIs

By Kristoffer Blegvad, INTOSAI Professional Standards Committee

Despite their many differences, supreme audit institutions (SAI) around the world agree that they need better general public sector auditing guidelines. A recent survey conducted by INTOSAI's Professional Standards Committee (PSC) confirmed this long-held assumption.
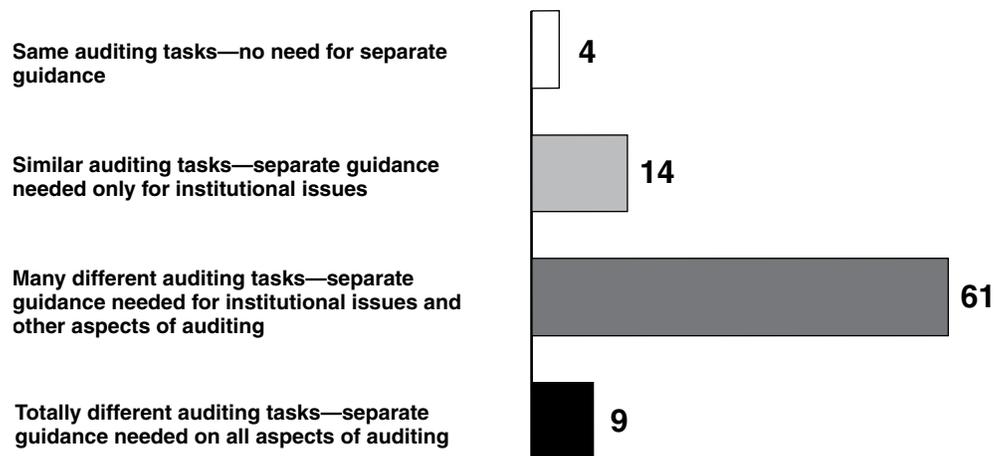
PSC carried out the survey in December 2006 to identify the standards and guidelines INTOSAI should develop in the future. The survey's conclusions will be used to target the PSC's future work to ensure that the greatest number of countries will benefit from international standards and guidelines that define the role and tasks of SAIs.

The PSC Steering Committee developed the survey questionnaire during its meeting in Yaoundé, Cameroon, September 5–6, 2007. The questionnaire was distributed in English, French, Spanish, and Arabic. One hundred SAIs completed the questionnaire, and the results were discussed at the PSC Steering Committee meeting in Bahrain, April 23–24, 2007. (See Inside INTOSAI for a full discussion of the Bahrain meeting.)

Development of Guidelines for SAIs

The completed surveys that the PSC received from around the world reflect the differences among SAIs and indicate that they apply audit guidelines differently. Despite these differences, SAIs generally agree that their role as public authorities that support parliamentary oversight imposes special requirements on them. Although SAIs frequently use the same financial auditing methodology as private sector auditors, the SAIs acknowledge numerous ways in which public sector auditing demands methodologies and standards that are different from those of the private sector (see figure 1).

Figure 1: SAIs' Evaluation of Differences between Public and Private Sector Auditing and the Need for Separate Public Sector Guidance

Same auditing tasks—no need for separate guidance	4
Similar auditing tasks—separate guidance needed only for institutional issues	14
Many different auditing tasks—separate guidance needed for institutional issues and other aspects of auditing	61
Totally different auditing tasks—separate guidance needed on all aspects of auditing	9

Source: INTOSAI's Professional Standards Committee (PSC).

Note: The total does not add to 100 because 12 SAIs expressed no opinion or gave a written comment to respond.

The purpose of public sector auditing is significantly different from that of private sector auditing. Public auditing contributes to democratic insight and monitors the application and use of public funds. Its goal is to ensure that funds are used correctly and efficiently and in accordance with Parliament's decision. Private sector auditors perform the vastly different task of issuing an audit opinion affirming the accuracy of accounts and certifying that they do not contain any material errors or omissions that would affect the stated value of the company. Also, in most countries, the relationship between the SAI and its "clients" differs greatly from relationships in the private sector, where clients appoint and pay the auditors themselves.

Cooperation with Other Standard Setters

The 100 SAIs expressed a widespread desire for INTOSAI to develop strong guidelines for financial, compliance, and performance auditing. The SAIs generally accepted PSC's strategy of including material from other standard-setting bodies and drafting supplementary guidance for the public sector. This strategy—known as the dual approach—will allow PSC to focus its development efforts on areas unique to public sector auditing.

The survey showed that INTOSAI auditing standards are widely used by SAIs for auditing tasks and for developing methodology and strategy; 76 of the 100 SAIs indicated that they apply the INTOSAI standards to financial, compliance, or performance audit tasks. However, many SAIs use these standards in combination with national public auditing standards and other guidance. In particular, many SAIs use standards issued by the International Federation of Accountants (IFAC) when performing financial audit tasks. Figure 2 summarizes SAIs' usage of INTOSAI and IFAC standards in their audits.

Figure 2: Number of SAIs Using INTOSAI or IFAC Standards

INTOSAI only — 21
IFAC only — 5
Neither INTOSAI nor IFAC — 19
INTOSAI and IFAC — 55
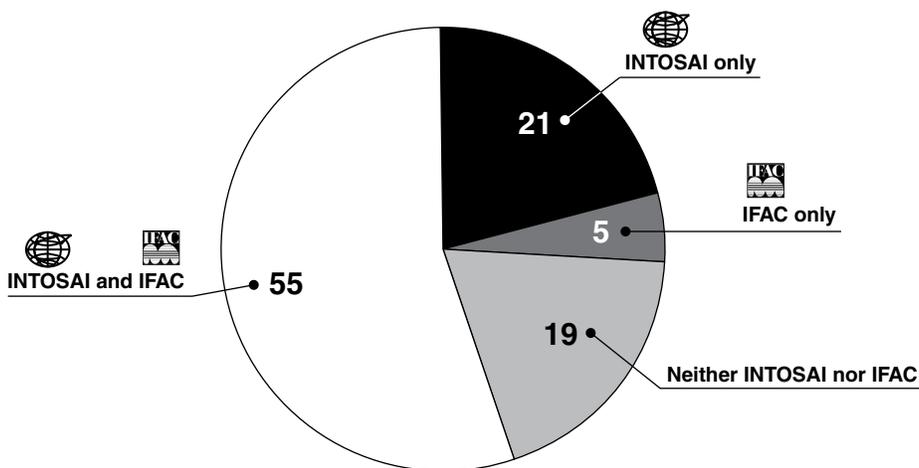
Source: INTOSAI's Professional Standards Committee (PSC).

The survey's results confirm the appropriateness of the PSC's strategy of building upon other standard-setting bodies' guidelines to the greatest extent possible. At its April meeting in Bahrain, the steering committee established the goal of adopting comprehensive guidelines for financial, compliance, and performance auditing by 2010. INTOSAI's guidelines for financial auditing will be based on IFAC's standards and will provide supplementary guidance on special conditions that characterize public sector auditing. The PSC also decided to establish a new cooperative effort with the Institute of Internal Auditors (IIA) to further develop INTOSAI guidelines for internal controls in the public sector. The survey shows that a number of SAIs already make use of IIA's standards and guidelines.

The survey results provided an important platform for the PSC's efforts to establish and clarify distinct public auditing standards and promote consistency between standards issued by various international organizations.

For additional information on the survey, please contact the author at *kb@rigsrevisionen.dk*. The full report can be found at *www.issai.org*.

Planning and Selecting Performance Audits at the Netherlands Court of Audit

By Rudi Turksema and Peter van der Knaap, Netherlands Court of Audit

All performance auditors share the same goal: to audit the most relevant problems using the right people and the most appropriate methods and techniques at the right moment and to use the audit findings to make a meaningful contribution to the quality of government policy and operational management.

The Netherlands Court of Audit devotes a great deal of time to the proper planning and selection of its audits. We work in a very broad field but with finite capacity. The Court of Audit's mandate covers all of the central government and nongovernmental institutions that receive public funds to carry out statutory tasks. In all, we must audit the use of about 350 billion euros with a staff of just 80 auditors who specialize in performance audits. For staffing reasons alone, we have to think very carefully about which performance audits we will carry out. More importantly, if our work is to be effective, we have to know where we can make the greatest contribution.

In this article, we explain how the Court of Audit tries to realize its goals. The first section describes how we use the planning and selection tools in practice—which tools we use, when we use them, and how they are related to each other—and the next section includes the results and the lessons learned from our use of the planning and selection tools.

Planning and Selection Tools

At our SAI, audit planning and selection must help us achieve the Court of Audit's mission: to "audit and improve the regularity, efficiency, effectiveness, and integrity with which the State and associated bodies operate." Another task of the Court of Audit is to "contribute to sound public administration through cooperation and knowledge exchange at home and abroad." For purposes of this article, it is also relevant that we seek to be a transparent organization.

To plan and select our performance audits, we use a number of tools that are closely related to the Court of Audit's overall strategy (see figure 1).

Figure 1: Netherlands Court of Audit Strategy and Audit Planning and Selection Tools
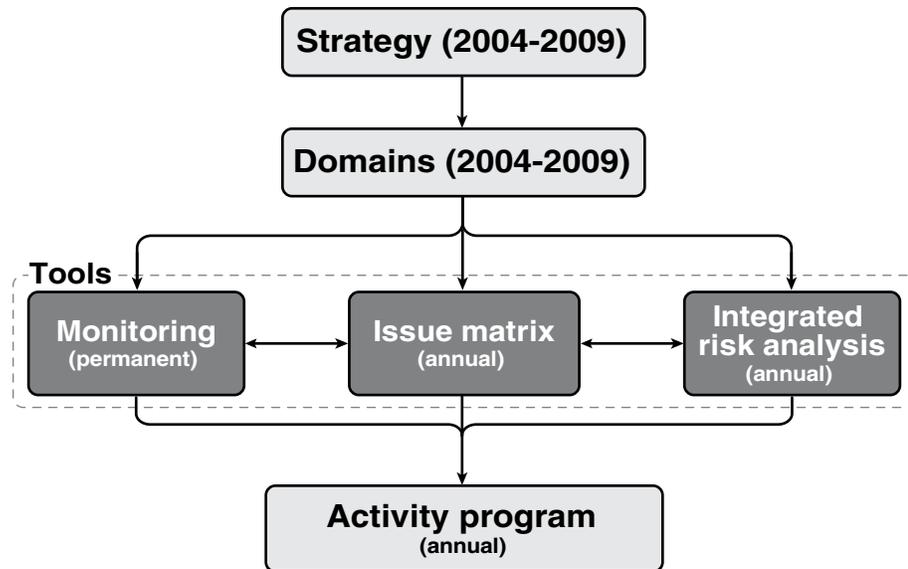
Planning and selection begins with the Court of Audit's **strategy**. Three **domains**—public services, safety and security, and sustainable development—have been prioritized to implement the strategy, and they determine the most relevant objects for audit. We also use three tools—monitoring, issue matrix, and integrated risk analysis—to look beyond the strategy at more topical developments in our field of operations.

The first tool is **monitoring**, a standard activity carried out by all Court of Audit organizational units. In all events, we monitor the ministries' policies and the performance of officials charged with statutory tasks. Given our strategic goal of helping to reduce social problems, we also increasingly monitor social developments.

The **issue matrix**, the second tool, is an outcome of monitoring and is intentionally designed to facilitate discussion of the monitoring findings with the Court of Audit's Board. Issues are summarized in memos that answer the following four questions: (1) What is at issue? (2) Is it undesirable? (3) Where does it occur? (4) Who are the main players? The issue matrix identifies relevant issues in our audit field that are not necessarily covered by our strategy.

Figure 2 is an example of an issue matrix in the transport, public works, and water management policy field. The horizontal axis shows the likelihood of an event's occurrence, and the vertical axis shows the potential impact of an event. By ordering the issues in such a matrix, we are better able to determine their potential importance. To encourage further discussion, we deliberately do not define the concepts of "potential impact" and "likelihood of occurrence" any further.

Figure 2. Example of an Issue Matrix for Transport, Public Works, and Water Management Policy
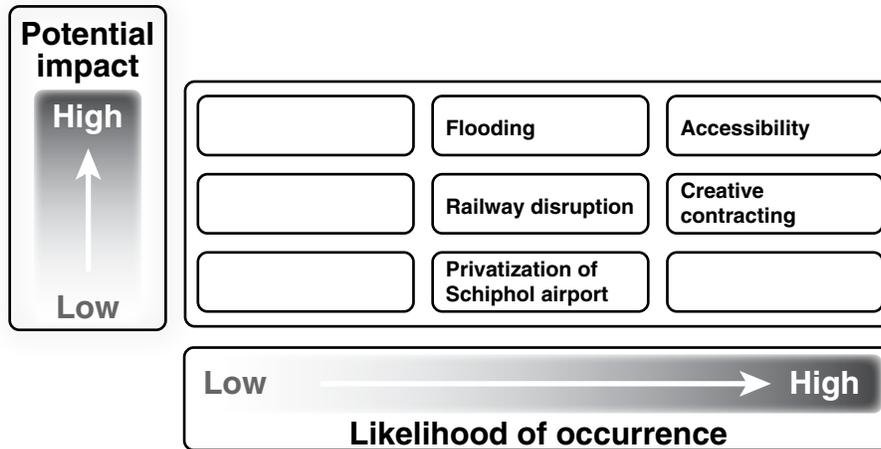
According to this issue matrix, it is our opinion that accessibility (motorway congestion) is almost certain to occur and will probably have a high impact. In the Netherlands, it is indeed a daily problem: overcrowded rush-hour motorways harm both the environment and the economy. Flooding, which may also have a high impact, is thought to be less of an issue because it is less likely to occur. The privatization of the national airport, Schiphol, would have a low impact since it is not expected to seriously affect the continuity of the airport's operations. We have not identified issues with a low likelihood of occurrence in this policy field, though they may exist, Rather, the Court of Audit is more interested in issues that are more likely to go wrong.

The third tool is **integrated risk analysis**. In contrast to monitoring and issue matrices, risk analysis builds on the strategy and is more focused so that it can be used directly for the activity program and planning of regularity audits.

Integrated risk analysis (IRA) is a systematic and efficient means to generate, analyze, and record information about the entire audit field to identify and classify risks in the domains that are relevant to the Court of Audit. The risk analyses are integrated in that they

■   combine all identified and prioritized risks so that choices can be made for both the regularity audits and the annual programming of performance audits and

■   are conducive to detecting connections between public administration operations and risks to public administration performance.

The system used to calculate risk is very similar to the one used for issue matrices. The risk is estimated as a combination of the likelihood of an undesirable event or situation occurring and its impact on one of the risk domains: risk = {likelihood of risk x impact of risk}. We use the model shown in figure 3.

Figure 3: Integrated Risk Analysis Matrix

Probable impact			
Significant	Average	High	High
Average	Low	Average	High
Insignificant	Low	Low	Average
	Improbable	Possible	Probable
	Likelihood of risk occurring		
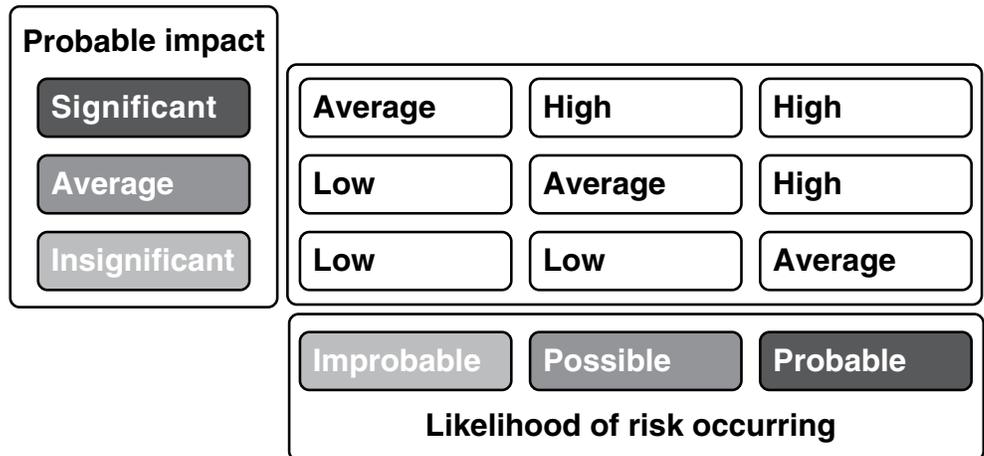
The end product of integrated risk analysis is a systematic overview of the main risks to the operation and performance of public administration and associated third parties. The analysis results serve as input in our proposals for regularity audits (selecting the auditee and approach) and the annual programming of performance audits. Integrated risk analysis also contributes to accumulating field-specific know-how and exchanging that know-how among organizational units.

Risks to public administration operations and performance may be related to each other. For example, IT problems (cause) at the Ministry of Finance may lead to late payments of housing benefits (effect). This might indirectly lead to another ministry's failure to achieve a policy goal, such as reducing the number of forced evictions. A simplified cause and effect diagram for this example is given in figure 4.

Figure 4. Example of Potential Cause and Effect of Risks to Public Administration Operations and Performance
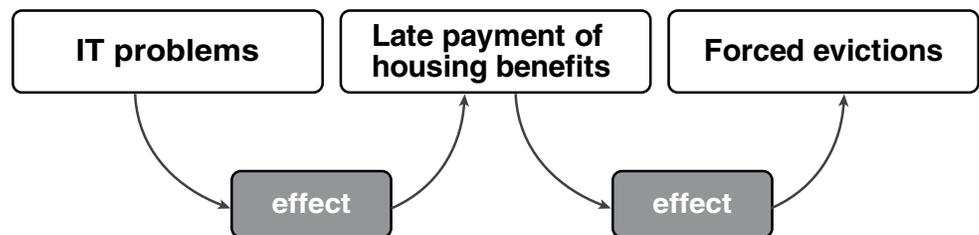
The tools we use to plan and select performance audits ultimately generate input for programming. Ideally, by comparing the outcomes of monitoring and issue matrices (which have a broader and more topical orientation) with the proposals arising from the strategy (which have a more focused and longer term orientation), we will program the right performance audits at the right moment. The direct result of our planning and selection activities is therefore an optimal activity program, which in turn determines how effective we are as an audit institution. However, that is sometimes beyond our control.

Conclusions

This article has explained how the Court of Audit is trying to perfect its planning and selection of performance audits. We are pleased with the three benefits we have identified in the planning and selection process. First, the process produces a systematic and lively internal and external debate. Second—and this is a significant advantage of our multiyear strategy—it enhances our external profile. An auditee sometimes sighs, "Yes, if I read your strategy and hear your arguments, it goes without saying that you'll want to audit this." And although we prefer not to hear people sigh, this often increases their cooperation and willingness to take a critical look at their own policy practices. Third, it encourages rigorous, activity-based management, both in the three domains recognized in our strategy and in auditing the relationship between policy and its implementation, the main focus of our performance audit strategy.

People sometimes see an overlap in our preparations: in addition to carrying out monitoring activities and integrated risk analyses, we have identified special domains and must prepare related proposals. We, too, sometimes think that we have set our goals too high: we must invest a considerable amount of time in the planning and selection process, yet the capacity available to carry out further audits is limited. We also have to respond to current developments and requests from Parliament. Finally, programming our audits in response to social problems is a daunting challenge. Sometimes, operational audit "magnets" divert us from finding the causes of disappointing results and lead us to check procedural and organizational systems. Fortunately, we are getting better at resisting these modern-day "Sirens."

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References

Netherlands Court of Audit (2003), *Performance and Operation of Public Administration: Strategy 2004-2009 of the Netherlands Court of Audit,* The Hague, Netherlands Court of Audit.

de Vries, G.J.D. (2000), *Beleidsdynamica als sociale constructie. Een onderzoek naar doorwerking van beleidsevaluatie en beleidsadvisering,* Delft, Eburon.

Reports in Print

IIn this issue, the *Journal* continues to highlight reports from SAIs that identify best practices.

In 2006, the Office of the Controller and Auditor-General of New Zealand published a report on achieving public sector outcomes with private sector partners. The report informs leaders and decisionmakers about the key issues they need to consider across the public sector and for individual projects. Examples of partnering range from contracts where the private sector finances and owns public infrastructure to arrangements where public and private sector organizations work closely together as one team sharing risks and rewards. Public entities are ultimately accountable for delivering public services, which is a responsibility they cannot transfer to the private sector. According to the report, public entities must have robust internal arrangements in place to opt for a partnering approach and to manage its implementation. Strong leadership from the top of the organization is needed to drive the process and ensure proper accountability and control. There should also be a clear definition of roles and responsibilities, identification of relevant authorities and delegations, and adequate arrangements for public scrutiny of performance under the contract.

For additional information, contact the Office of the Controller and Auditor-General:

>   Fax: +64 4 917 1549
>   E-mail: *enquiry@oag.govt.nz*
>   Web site: *www.oag.govt.nz*

The Office of the Auditor General of Canada released a framework for identifying risk in grant and contribution programs to help managers think critically about their current practices. The framework identifies 10 key attributes of well managed grant or contribution programs. These attributes include choosing the appropriate funding instrument, funding projects at the appropriate level, and quickly resolving problems with project and program performance.

For additional information, contact the Office of the Auditor General:

>   Fax: ++1 (613) 957- 4023
>   E-mail: *communications@oag-bvg.gc.ca*
>   Web site: *www.oag-bvg.gc.ca*

In 2007, the National Audit Office of Finland published a report examining the supervision and economy of official travel. The auditors had examined several government agencies and observed not only many errors and shortcomings but also best practices. One agency had cost calculations for official vehicles to guide decisions on whether to purchase a new vehicle or compensate employees per kilometer. Another agency required employees who obtained a loyalty card for official travel to authorize the agency to receive information concerning account transactions. The audit made recommendations and suggestions for improving the economy of official travel, the most important of which concerns developing a government travel strategy.

For additional information, contact the National Audit Office:

>   Fax: +358 (0)9 432 5820
>   E-mail: *kirjaamo@vtv.fi*
>   Web site: *www.vtv.fi*

Delegates from European and Latin American SAIs Meet in Lisbon, Portugal, to Discuss Fiscal Sustainability

On May 9 through 12, 2007, representatives of SAIs from 52 countries gathered in Lisbon, Portugal, for the fifth EUROSAI/OLACEFS Conference. The theme for the conference, hosted by the Tribunal de Contas of Portugal, was fiscal sustainability, presentation of accounts, and accountability. Guilherme d'Oliveira Martins, President of the Tribunal de Contas, opened the conference, noting that his country is "at the center of dialogue between Europe and Latin America" and that this conference was "an important opportunity to share different points of view" about the chosen theme.

Delegates to the EUROSAI/OLACEFS conference gathered in front of the meeting place, the former Session Hall of the Tribunal de Contas, an 18th century building in the heart of Lisbon.

The first working session—the presentation of accounts and accountability in the context of fiscal sustainability—featured four speakers who focused on reforms within their SAIs. Tullio Lazzaro, President of the SAI of Italy, said that the Corte dei Conti has become increasingly involved in the budget cycle and now advises Parliament on issues such as the feasibility of budget and public finance objectives and compliance with European Union fiscal sustainability indicators. Noemí Rojas Llanos, Deputy Comptroller General of Chile, noted the importance of transparency in communicating audit findings to the public and discussed her organization's new use of electronic government mechanisms. Kurt Grüter, President of the SAI of Switzerland, discussed his country's shift to an accrual budgeting system. Finally, Andrés Terrero, President of the SAI of the Dominican Republic, delivered a presentation about the evolution of his organization as it has become increasingly independent from the country's executive branch.

Conference delegates during one of the working sessions.

During the second working session, conference participants focused on the SAIs' contribution to the fiscal sustainability of social sectors. Both Tuomas Pöysti, Auditor General of Finland, and Alexander Semikolennykh, Vice Chairman of the SAI of the Russian Federation, discussed how their organizations have addressed fiscal sustainability concerns when auditing their national health care programs.

Vítor Constâncio, Governor of the Bank of Portugal, delivered an informative lecture on how to define and assess fiscal sustainability. His lecture was followed by a presentation by Sir John Bourn, Comptroller and Auditor General of the United Kingdom (UK), who discussed new initiatives that his organization has undertaken to address fiscal sustainability. For example, the UK National Audit Office has been asked to review the budget assumptions used in formulating the country's budget and to determine when the economic cycle begins and ends.

At the close of the conference, the participating SAIs agreed that they have a natural role to play in working towards fiscal sustainability. Methods for addressing this issue include disclosing the actual size of public debt; assessing the economic situation of the state; and monitoring the economy, efficiency, and effectiveness of public management. The conference resulted in several recommendations, including that SAIs closely monitor the development of budget, management, accounting, and social reforms in their countries and inform the public of the results of their assessments.

For more information and to obtain copies of the papers, visit the conference Web site: *www.tcontas.pt/eurosai/eurosaiolacefs/index.htm*.

Professional Standards Committee

The INTOSAI Professional Standards Committee (PSC) Steering Committee met in Manama, Bahrain, April 23–24, 2007. The main purpose of the meeting was to discuss the results of the PSC survey, described in detail elsewhere in this issue,[1] and the PSC's mandate for 2007–2010.

Before the meeting, the draft framework for INTOSAI standards and guidelines was forwarded to all INTOSAI members for comment. At the meeting, the steering committee members discussed the final version that is to be presented at the INTOSAI congress in Mexico. They unanimously agreed to ask the congress to approve (1) the framework; (2) a new name for INTOSAI standards and guidelines—International Standards for Supreme Audit Institutions (ISSAI)—and (3) a new name for INTOSAI guidance related to administrative authorities, Guidance on Good Governance.

The PSC's mandate is to develop a comprehensive set of standards and guidelines ready for presentation at the 2010 INTOSAI congress. Based on the survey results and already planned activities, the PSC proposes to undertake the following in 2007–2010:

■ Work to harmonize public sector audit internationally by recognizing, using, and building on standards issued by other standard-setting bodies and developing supplementary guidance in areas where SAIs have special needs.

■ Ensure that clear and user-friendly guidance on the special role of SAIs and specific features of public sector auditing is prepared in accordance with the following principle: Where the tasks are the same, the standards should be the same, and where the tasks differ, the standards should differ.

■ Prepare a decision on permanent maintenance of the set of ISSAIs, recognizing that individual SAIs decide on implementing the ISSAIs, the INTOSAI Communication Policy addresses communication issues, and the INTOSAI Capacity Building Committee addresses capacity building.

The PSC's accomplishments and proposed mandate for 2007-2010, along with its strategic alignment plan, will be reported to the 2007 INTOSAI congress in Mexico City.

The PSC meeting was generously hosted by the SAI of Bahrain and led by Mr. Hassan Khalifa Al Jalahma, President of the National Audit Court. The PSC's next meeting will take place on November 4, 2007, in Mexico City.

For further information, please contact the PSC:

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Web site: *http://psc.rigsrevisionen.dk*

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[1] See "Developing International Standards and Guidelines for SAIs," p. 12.

Subcommittee on Accounting and Reporting

The Professional Standards Committee's Subcommittee on Accounting and Reporting observes and participates in the meetings of the International Public Sector Accounting Standards Board (IPSASB)— formerly the Public Sector Committee—an International Federation of Accountants (IFAC) board that issues international accounting standards for public sector entities. As part of the subcommittee's activities, it will provide periodic updates of IPSASB activities to INTOSAI members through articles posted to this *Journal's* Web site (*www.intosaijournal.org*) and updates in this section of the *Journal.*

A summary of the March 2007 IPSASB meeting is available on the IFAC Web site at *www.ifac.org* (click on the following links: IFAC Boards and Committees/International Public Sector Accounting Standards Board/IPSASB meetings). Participants discussed the following topics at the meeting and agreed on the following actions:

- IPSASB's strategic plan for 2007–2009: A strategy, operational plan, and work plan will be developed based on a detailed planning session at the meeting.

- Social Benefits: Plans to develop an exposure draft dealing only with disclosure were reaffirmed.

- Improvements Project: A project proposal was approved to realign selected International Public Sector Accounting Standards (IPSAS) with equivalent International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) that have been revised since those IPSAS were issued.

- Heritage Assets: Some issues will be analyzed further to help decide on next steps.

- Financial Instruments: A project proposal was approved to amend IPSAS 15, *Financial Instruments: Disclosure and Presentation,* in accordance with IAS 32, *Financial Instruments: Presentation.*

- Entity Combinations: An issues paper will be developed addressing public sector issues related to entity combinations.

The next meeting of the IPSASB is July 3–6, 2007, in Montreal, Canada. The draft meeting agenda includes projects related to the strategic plan conceptual framework, social benefits, impairment of cash-generating assets (discuss comments on the exposure draft (ED)), employee benefits (discuss comments on the ED), financial instruments, service concessions, and external assistance (discuss comments on the ED).

For additional information, please contact the subcommittee chair at the U.S. Government Accountability Office:

Fax: ++1 (202) 512-4021
E-mail: *daceyr@gao.gov*

16th Meeting of the INTOSAI Standing Committee on IT Audit

The 16th meeting of the INTOSAI Standing Committee on IT Audit (ISCITA) was hosted by the State Audit Institution of Oman in Muscat, March 5–7, 2007. At the meeting, 51 delegates from 20 countries discussed present and future committee projects.

The SAI of India presented the final product on e-governance along with the updated courseware on IT audit. IDI made a presentation on the alpha version of the e-course on auditing IT controls and informed the committee that User-IDs would be used in the final version to track participants' progress. IDI thanked the SAIs of the United States and India for their contributions to the development of the courseware.

Future ISCITA projects include IT governance, e-governance risk, SAP applications in public administration, and auditing application/software development.

Delegates to the 16th meeting of the INTOSAI Standing Committee on IT Audit.

The meeting was preceded by the 5th Seminar on Performance Audit on IT Governance, March 3-4, 2007. The seminar was coordinated by the SAI of the United States along with the SAIs of Brazil, Canada, the Netherlands, and India.

The seminar was attended by 75 delegates from 28 countries. The key issues discussed were the causes of failure of IT projects, the use of external consultants, and the lack of IT security that leads to the loss of citizens' personal and financial data.

For additional information, contact ISCITA:

> Fax: ++91 (11) 2323 - 5446
> E-mail: *pdir@cag.gov.in*
> Web site: *www.intosaiitaudit.org*

ASOSAI Seminar on Managing Audit Results

On February 12-15, 2007, 24 participants from ASOSAI member countries and senior executives from the U.S. Government Accountability Office and the Office of the Comptroller and Auditor General of India attended a seminar focused on managing audit results. The seminar, held at the International Training Center of the SAI of India in New Delhi, was the first ASOSAI event targeted to middle- and senior-level SAI managers. The seminar's purpose was to provide SAI staff with a forum to exchange audit management practices that could both improve the efficiency of the audit process and enhance accountability in the public sector.

During the seminar, participants identified three main challenges facing their SAIs and reached consensus on strategies that could be used to address these challenges. First, participants noted the difficulties in ensuring the quality of the audit plan, process, and results. In response, they agreed that it was important to establish annual and strategic plans, improve existing audit processes to comply with international and INTOSAI standards, provide continuous training for staff, conduct peer reviews, establish quality assurance units to review internal audit processes, and exchange information with other SAIs. Second, the participants highlighted the challenges in ensuring that audit results are effectively communicated to stakeholders. As a result, they recommended establishing protocols with audited entities to ensure their cooperation in implementing audit recommendations, preparing user-friendly summaries of audit reports, and developing a communications strategy for sharing audit results with intended audiences, including political stakeholders and the media. Third, participants identified approaches for following up on SAI findings, including establishing a database to facilitate audit recommendation follow-up, creating a unit dedicated to tracking and documenting recommendation follow-up, and developing measures to track audit effectiveness in monetary terms.

For additional information, contact the ASOSAI General Secretariat:

Fax: ++91 (11) 2323 - 5446
E-mail: *cag@cag.gov.in*, *pdir@cag.gov.in*
Website: *www.asosai.org*

ASOSAI Financial Audit and Fraud Awareness Workshop

The ASOSAI Training Administrator chose the National Audit Department of Malaysia (NAD) to host the Financial Audit and Fraud Awareness Workshop. This was a cooperative program of ASOSAI, the INTOSAI Development Initiative (IDI), and the Asian Development Bank (ABD). The workshop was held May 3–24, 2007, at the Legend Hotel, Kuala Lumpur; 28 participants attended from the SAIs of Afghanistan, Cambodia, Laos, Maldives, Myanmar, and Vietnam. Six instructors from Indonesia, Nepal, Pakistan, the Philippines, and Malaysia conducted the workshop.

The Auditor General of Malaysia, Tan Sri Dato' Setia Ambrin bin Buang, officiated at the opening ceremony; ambassadors/high commissioners from the respective countries and senior officers from the NAD of Malaysia also attended.

For additional information, contact the NAD:

Fax: ++60 (3) 88 88 97 01
E-mail: *jbaudit@audit.gov.my*
Web site: *www.audit.gov.my*

Meeting of OLACEFS International Liaisons

Twenty international liaison specialists from OLACEFS SAIs met in Bogota, Colombia, March 21-23, 2007. The SAIs represented were Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay, and Venezuela. This second meeting of international liaisons was a joint effort of the SAI of Colombia, the President of OLACEFS, and the OLACEFS Executive Secretariat. Experienced specialists within the group of liaisons made invaluable contributions to the discussion, which focused on the roles and competencies of the liaisons and the relationship between OLACEFS and their SAIs. Participants also discussed obstacles they face in carrying out their jobs and presented concrete proposals for overcoming these difficulties.

At the request of the OLACEFS Steering Committee, the delegates drafted terms of reference for the group, which were submitted to the Steering Committee at the end of March 2007.

OLACEFS international liaisons at their meeting in Bogota.

For additional information, contact OLACEFS:

> General Secretariat
> Office of the Comptroller General of Panama:
> Fax: ++507 263-9322
> E-mail: *omarl@contraloria.gob.pa*
> Web site: *www.olacefs.org.pa*
>
> President
> Court of Accounts, El Salvador
> Fax: ++503 2281-2563
> E-mail: *presidencia@olacefs.gob.sv*

Meeting of Finance and Administration Committee

The fourth meeting of the INTOSAI Finance and Administration Committee was held in Oslo, Norway, on March 26 and 27, 2007. The principals (left to right, front row: Jørgen Kosmo, Norway; Osama Jafar Faquih, Saudi Arabia, Chairman; David M. Walker, United States; second row: Josef Moser, Austria (second from left); Clodosbaldo Russián Uzcátegui, Venezuela, Vice-chair; and Vijayendra Nath Kaul, India) discussed a number of issues, including updating the INTOSAI strategic plan, INTOSAI's financial condition and legal status, and associate membership in INTOSAI.

SAIs of Baltic Countries Discuss Best Practices in Relations with Parliamentary Audit Committees and Ministries of Finance

The SAIs in the Baltic countries (Estonia, Latvia, and Lithuania) have seen great progress and change in recent years. Auditors from all three countries' SAIs have developed key relationships with colleagues at their respective Ministries of Finance and more recently have undertaken initiatives to strengthen their relationships with Parliamentary Audit Committees (PAC).

In October 2006, the Lithuanian National Audit Office, together with SIGMA,[2] organized a regional meeting for the SAIs of the three Baltic countries, senior experts from other the SAIs of other European Union (EU) Member States, and representatives of Ministries of Finance and Parliaments, the European Parliament, and the European Court of Auditors.

Participants in the regional best practices meeting in Lithuania.

The meeting's specific purpose was to share experiences and best practices to make the relationships and functions of the PACs, Ministries of Finance, and SAIs better, stronger and more effective. The discussions focused on improving national accountability

[2] SIGMA, a joint initiative of the European Union and the Organisation for Economic Cooperation and Development, provides support to partner countries in their efforts to modernize public governance systems.

processes and systems by comparing and understanding what is already working well in the Baltic region and learning from the experiences of other selected EU Member States and from the EU as a whole.

The meeting was organized under four discussion areas. The following sections highlight the main conclusions and best practices that emerged from each of the four areas discussed at the meeting.

The Effective Functioning of Parliamentary Audit Committees

To carry out effective and useful work, PACs need quality, fact-based, fair, and informative reports from fully functional and operationally independent SAIs. SAIs, in turn, need to provide practical support to PACs (and their chairmen) in their work. In the Baltic region, the degree of this support varies by country.

Witnesses who attend PAC meetings need to be sufficiently senior staff who are directly responsible for the audit topic under consideration and well prepared. PACs need to produce their own reports with clear conclusions and recommendations, and there needs to be effective follow-up of the implementation of audit and PAC recommendations.

The process needs to be unbiased and nonpolitical and focused on policy implementation. Key indicators of success are the authority and influence of the actors in the process and the benefits derived from implementing the recommendations.

Participants identified the following best practices:

■   The PAC should determine its own agenda for considering audit reports and should work with the SAI to ensure sufficient audit work has been done to meet its needs.

■   The SAI can support the PAC with prior briefings, suggested lines of questioning, and drafting PAC reports.

■   The chair of the PAC should be selected from the opposition, and the committee should operate and report in an unbiased and professional manner.

Relations between Baltic SAIs and Parliamentary Audit Committees

The PACs in the three Baltic countries are relatively new but are already functioning well. Relationships between SAIs and PACs are businesslike and professional, and many reports are considered.

The Lithuanian PAC has the power to direct the government to take actions arising from its consideration of audit reports. The chairman of the Estonian PAC often meets with the prime minister to discuss audit findings. Latvia has good processes for briefing the PAC and helping to draft its reports.

Participants identified the following best practices for relationships between SAIs and PACs:

■ Given their mutual independence and different functions in the accountability process, the business and professional relationship between the SAI and PAC should be as close as possible.

■ The relationship between the auditor general and the PAC chairman is crucial to the success of the process and obtaining synergy.

Developing the Role of the Ministry of Finance in the Accountability Process

In all three Baltic countries, the Ministry of Finance's role in the accountability process is relatively underdeveloped but should evolve through practice rather than by regulation.

The Ministry of Finance role can be one of leadership, coordination, and direct participation in the process.

Ministries of Finance should oversee follow-up of the implementation of audit and PAC recommendations in ministries and agencies. They can benefit from taking a more active role and being better informed of business in the accountability process.

Participants identified the following best practices for the Ministry of Finance role:

Ministries of Finance should

■ receive, analyze, and act on all audit reports;

■ provide guidance on corrective actions needed for systemic control failures and instances of poor value for money identified by the PAC and SAI;

■ actively participate in PAC meetings by standing alongside direct auditees; and

■ work with the PACs, SAIs, and spending ministries to efficiently implement recommendations.

The EU Accountability Process

Since 80 percent of EU funds are spent in member states, the accountability process for EU funds has a strong national dimension that may have been neglected up to the present. The same accountability process can be developed and strengthened at the EU level by involving the European Parliament Budget Control Committee (EPBCC), the European Court of Auditors (ECA), the Council, and the European Commission (EC).

Many of the best practices identified at the national level can also be applied at the European level.

Participants identified the following best practices for the EU accountability process:

Accountability for EU Funds:

■   Relevant audit reports from the ECA should be discussed at national PAC meetings. SAIs should report on EU trends and performance audits.

■   There is scope for further interaction between national parliaments and the European Parliament in the sound management of EU resources area.

Accountability at the EU level:

■   The technical standards underpinning the EU budget implementation should be more harmonized, and the exchange of best practices should be improved.

■   Functional relationships between the ECA, EPBCC, Council, and the EC should be strengthened.

For additional information, contact the Lithuanian SAI:

Fax: ++370 (5) 266 67 61
E-mail: *nao@vkontrole.lt*
Web site: *www.vkontrole.lt*

Annual Meeting of the IDI Board

The International IDI Board celebrated its 8th annual meeting in Norway in March 2007. The board discussed and approved the IDI annual report for 2006 and the budget and the operational plan for 2007. The new IDI Strategic Plan 2007–2012 will be implemented starting this year. Over the past few years, IDI has moved from organizing training events and establishing regional and national SAI training infrastructures to emphasizing professional and institutional capacity building in a broader context. The board discussed IDI's position and future role in light of the INTOSAI Strategic Plan 2005–2010, which identifies IDI as an important partner in achieving INTOSAI's strategic goal 2, institutional capacity development. A paper on this issue is to be presented at the XIX INCOSAI in November 2007.

IDI/ISCITA E-learning Course on Auditing IT Controls

After a series of new interactive learning strategies were incorporated, the alpha (test) version of the IDI/INTOSAI Standing Committee on IT Audit (ISCITA) course on the Audit of IT Controls was presented at the committee's 16th meeting in Oman in March 2007. In April 2007, both the Web-based and computer-based versions of the 21-module course were made available to 480 participants from 36 SAIs in AFROSAI-E, ASOSAI, and CAROSAI, the three English-speaking target regions. Some participants from ASOSAI and CAROSAI have started using the Web-based training (WBT) version of the course. Every WBT participant is required to complete the course within 45 days; participants must complete the computer-based training (CBT) version within 60 days of receiving the CDs. Participants are considered to have successfully completed the course when they score at least 75 percent in each of the post-module assessments. IDI is using the learning management system (LMS) on which the Web-based course is hosted to regularly monitor the progress of individual WBT users. The course will be available on the LMS until March 2008.

IDI/AFROSAI-E Review Meeting and Operational Planning Workshop

As part of the IDI/AFROSAI-E Strategic Planning Program, strategic planning teams from the SAIs of Eritrea, the Gambia, Kenya, Mauritius, and Swaziland developed draft strategic plans by March 2007. At a review meeting held in Swaziland in April 2007, the teams received feedback from peers and subject matter experts and worked on modifications to the draft strategic plans. A workshop on operational planning was also conducted to give the teams practical guidance on going to the next level of planning and to discuss related issues, such as marketing the plan, managing change, and reporting on achievements. The next steps for the five participating SAIs will be adopting the strategic plans and developing and implementing operational plans.

IDI/AFROSAI-E Adaptation and Design Meeting for Institutional Needs Assessment

The IDI/AFROSAI-E needs assessment program is designed to create regional and local capacity to carry out needs assessments at the SAI level. Its first activity was an

IDI UPDATE

IDI Update keeps you informed of developments in the work and programs of the INTOSAI Development Initiative. To find out more about IDI and keep up to date between editions of the *Journal*, look at the IDI Web site: *www.idi.no*

adaptation and design meeting for institutional needs assessments held in South Africa in May 2007. At this meeting, about 10 regional needs assessment champions adapted IDI's needs assessment framework and tools to suit regional requirements. They also designed and developed a 1-week workshop on conducting needs assessments at SAIs. This workshop will be delivered later this year to needs assessment teams from selected SAIs of AFROSAI-E.

IDI/ARABOSAI IT Auditing Program

Within the framework of the IDI/ARABOSAI IT auditing program, a second 2-week IT Audit Workshop was delivered in Yemen in June 2007 by six IDI-certified IT champions. The workshop, which was designed to fit ARABOSAI's basic IT auditing needs, allowed 30 more participants to acquire IT auditing skills. Other IT champions participated in the delivery of the course, which helped to enlarge the regional pool of IT champions with international experience.

IDI-AFROSAI-E Quality Assurance Handbook Project Meeting

AFROSAI-E has prioritized quality assurance (QA) as one of the five strategic imperatives in its strategic plan for 2007–2009. The region expressed a need for practical guidance in the area of QA. As a first step, a project team of six regional experts will develop a QA handbook. The handbook will incorporate existing AFROSAI-E models for conducting quality assurance reviews on financial and performance audits and provide practical guidance to regional SAIs for setting up quality assurance units and carrying out quality assurance reviews at the institutional level. The project group met for a week in Botswana to determine the contents of the handbook.

IDI and Liaison with the INTOSAI Community

IDI representatives have attended and reported at the following events in recent months: the Regional Institutional Strengthening Committee of SPASAI (Fiji), the INTOSAI Professional Standards Steering Committee Meeting (Bahrain), the International Consortium on Governmental Financial Management Conference (USA), the ARABOSAI General Assembly (Yemen), the INTOSAI Committee on Public Debt (Portugal), and the Working Group on Environmental Auditing Assembly (Tanzania).
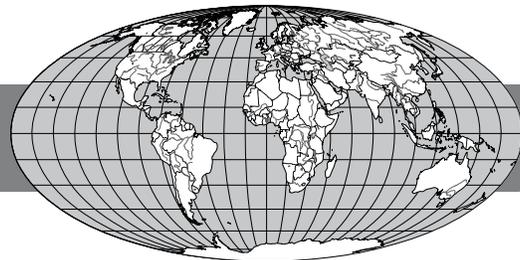
Contacting IDI

To discuss any of the issues raised in this edition of the IDI Update, please contact IDI:

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> Web site: *www.idi.no*

INTOSAI 2007 Events

July

10   Financial Audit Guidelines Subcommittee telephone conference

August

24–24   Financial Audit Guidelines Subcommittee meeting, Stockholm, Sweden

September

3–5   38th ASOSAI Governing Board meeting, Kuwait

10–14   32nd EUROSAI Governing Board meeting, Switzerland

10–14   10th SPASAI Congress, Papua New Guinea

October

1–6   17th OLACEFS Governing Board meeting, Dominican Republic

November

4   Professional Standards Committee meeting, Mexico City

5–10   19th INCOSAI and 56th and 57th INTOSAI Governing Board meetings, Mexico City, Mexico

December

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