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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.

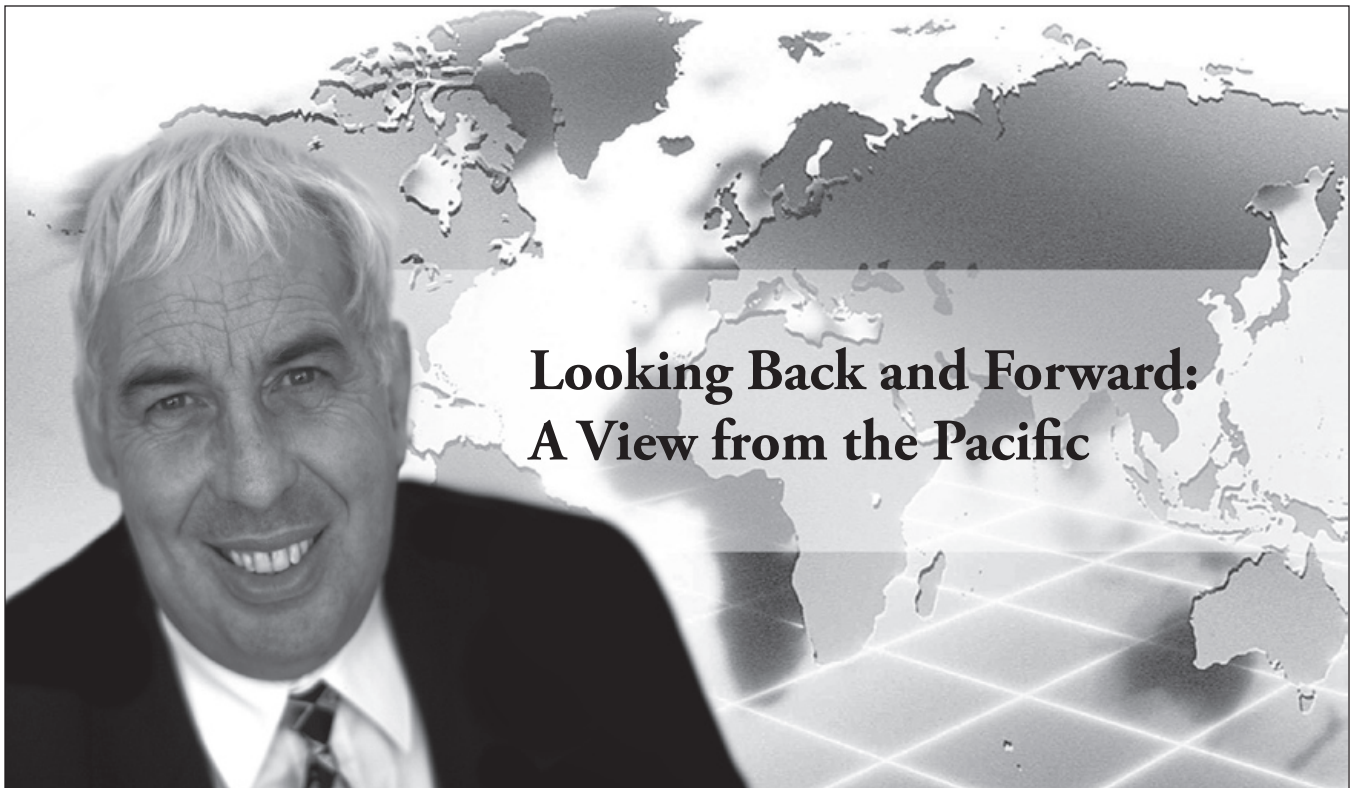
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Looking Back and Forward: A View from the Pacific

Kevin Brady

*Controller and Auditor-
General of New Zealand*

I was honored to be invited to write this editorial. After 38 years with the New Zealand Audit Office, the last 7 as Auditor-General, I am retiring this July. I am pleased to have this opportunity to pass on my views and also to thank the many members of the international auditing community who have supported and provided inspiration to my office. I have been fortunate to attend a number of international conferences, including those hosted by INTOSAI, ASOSAI, PASAI, and the Commonwealth. The spirit of cooperation and collaboration at these events has always made the inevitably long journey from New Zealand worthwhile.

As with all other supreme audit institutions (SAI), the New Zealand SAI has continued to evolve and adapt to changes in our environment. We have responded to changes in legislation governing the audited entities, developments in accounting and auditing standards, the need to keep on top of emerging information technology initiatives, and the increasing complexity of the operations of those we audit. We have also changed our skill base to respond to the expansion of our mandate into performance and environmental auditing. In all my dealings with the international auditing community, I have been impressed by the caliber of the people employed by SAIs. They are dedicated to doing the best for their communities and ensuring that public resources are used wisely and in keeping with the wishes of their Parliaments or equivalents. The SAIs' success or lack thereof rests totally on the caliber of the people they employ; in that regard, SAIs throughout the world are fortunate that their role attracts such high quality people.

In addition to competence, the hallmarks of any SAI are independence and credibility. Independence needs to be guaranteed by our mandates, but all staff members need to ensure that their own individual independence is not compromised through personal or family conflicts of interest. Our strength comes from our independence, and it must be guarded zealously. The second attribute is credibility. When we speak as an SAI, we must be right. We must also be fair. The ability to report is an SAI's major strength. However, as was pointed out to me early in my career, we are only as good as our last report. Credibility that has taken years to develop can be lost in one careless moment. Our reports can also affect individual reputations. We need to ensure that criticism is not only right but also justified.

Looking to the future, I have the utmost admiration for the work of INTOSAI under the leadership of Dr. Josef Moser. The strategy that INTOSAI has developed is excellent and forward-looking. It deserves the full support of all INTOSAI members. The work of the Communications Strategy Task Force that was established in 2007 is of special interest to us in the Pacific. In particular, the task force's work will give smaller SAIs easy access to an incredible range of materials.

For the past 15 years, I have had the pleasure of acting as Secretary-General for PASAI (previously SPASAI). While many Pacific countries are small, the auditors-general and their staffs have demonstrated a continued commitment to excellence. The adoption of the Pacific Regional Audit Initiative, cofunded by the Asian Development Bank and the Australian government, is already starting to strengthen the Pacific SAIs. I have no doubt that with the establishment of an enhanced PASAI secretariat, the aims of the initiative will be achieved.

I believe that we can do better in two areas internationally. The first area relates to reporting financial information to the public. I am concerned that accounting standards are getting too complex, resulting in financial statements also becoming so complex that many members of the public (and indeed members of the audited entities) are no longer getting information in a format that enables them to hold entities to account. The whole purpose of accounting is to convert information into a report that enables the public and those involved in governance to hold the entity to account. Most members of the public do not have an accounting background, so unless we find a way to make accounting more user friendly, then we are not accomplishing our purpose.

The second area relates to reporting nonfinancial information. Most public sector agencies (other than those that have a corporate basis) exist not to make money but to deliver services to the community. Reporting financial information is not enough. The real test of a public entity's success or lack thereof is whether the entity delivered the services expected in an effective and efficient way. To judge this, the community needs information that indicates not only where the money was spent, but also what was achieved as a result of that expenditure. I feel that this area has not received the attention it deserves. Until the community's needs for performance information are addressed, public entities will not be truly accountable.

In conclusion, I would like to reiterate my thanks to those who have provided support to my SAI. I have enjoyed my term as Auditor-General immensely, and I have met some amazing people throughout the international auditing community. I wish you all the best in your future endeavors.

NEWS

IN

brief



Australia

Audit Report on Green Office Procurement and Sustainable Office Management

In March 2009, the Australia National Audit Office issued a report entitled, *Green Office Procurement and Sustainable Office Management* (No. 25 2008-09). The report is available online on the ANAO Web site.

The Australian Government has indicated that it is seeking to be at the forefront of environmental purchasing practices. This report showed that as a whole, the Australian Government public sector has considerable work to do if it is to achieve this goal and that considerable scope remains to reduce the “ecological footprint” of agencies. There are many opportunities to implement cost-effective measures to improve sustainability, particularly in energy conservation and office-based consumption.

According to the report, the Australian Government spends approximately \$435 million annually on electricity and natural gas. While some capital costs may be involved to implement energy efficiency initiatives (for

example, costs for lighting upgrades or enhanced metering), the resultant savings from such measures will be ongoing and assist in offsetting future cost increases. Measures such as the automated shutdown of office monitors and computers when not in use would involve minimal capital expenditure and provide immediate energy and cost reductions. Data centers use a significant amount of energy, typically accounting for 15 to 40 percent of tenancy energy consumption. Through better design layouts for the centers and upgrades to infrastructure, potential energy savings of up to 33 percent have been identified.

During the audit, agencies provided numerous examples that illustrated the recovery of capital costs in less than 12 months. Recent increases in electricity costs experienced by Australian government agencies will further reduce payback periods. Overall, the ANAO estimated that the Australian government could save \$75 million annually from its energy budget if all agencies met government energy targets and applied these conservation measures to all energy categories.

The Australian government is a significant consumer of office paper.

The agencies surveyed reported their aggregate internal use at over 6,500 tons per year. Agencies can reduce their internal paper consumption (and simultaneously reduce costs) through double-sided printing. Motor vehicles are also an important part of government operations. The government fleet, including the Department of Defense “white vehicle fleet,” has over 13,000 vehicles. The audit highlighted tensions between costs, preferences for Australian made vehicles, and the need to meet the government’s goal of reducing greenhouse gases and other emissions. According to the report, large vehicles are 35 percent more expensive than small cars—even taking into account available discounts—when considered on a whole-of-life-cycle basis.

The report identified significant opportunities to improve the quality of environmental controls and imbed environmental considerations into core business operations within the Australian government. Only 56 percent of agencies have instructions or policies in place to minimize their environmental impacts. To meet government expectations, agencies need an integrated sustainability

framework that identifies improvement opportunities and investment priorities tailored to their business requirements. The audit report highlighted a number of case studies that demonstrate energy savings, environmental improvements, or other potential benefits can be achieved from a concerted focus on better sustainability practices.

Recent Amendments to the Auditor-General Act 1997

In February 2009, a number of amendments were made to the Auditor-General Act 1997. Some amendments (1) relate to the circumstances in which audit information made available to entities and other parties while conducting a performance audit may be disclosed and (2) update penalty provisions to bring them into line with current criminal law policy.

The amendments most relevant to entities relate to consulting and reporting arrangements for performance audits. Specifically, the act includes a requirement that any comments received on a proposed performance audit report be included in full in the final audit report. This amendment gives legislative support to the ANAO's existing practice. The act also provides that any comments received on a performance audit report extract must also be included in full in the final report. Previously, such comments were taken into account when finalizing the audit report but may not have been included. Under the amendments, report extracts are now covered by the act's confidentiality requirements for persons who are in possession of audit information.

To assist in finalizing reports and ensuring that they remain informative and readable, the ANAO will continue to ask that agency comments be

directly relevant to audit findings and recommendations and reasonably succinct. The ANAO will also continue its existing practice of requesting that comments be provided in the following three parts: (1) formal entity comments (included in full as an appendix to the final report), including whether the entity agrees, agrees with qualification, or does not agree with each recommendation; (2) a short summary of the entity's comments (included in the report summary and brochure); and (3) any additional detailed commentary, such as those of an editorial nature (included as appropriate in the body of the report).

For additional information, contact the ANAO:

E-mail: ag1@anao.gov.au
Web site: www.anao.gov.au

Bermuda

New Auditor General Named

Heather Jacobs Matthews will become the new Auditor General of Bermuda in August 2009. She will replace Larry Dennis, who is retiring.

Mrs. Jacobs Matthews, a Chartered Accountant and a Certified Fraud Examiner, graduated from Dalhousie University, Halifax, Nova Scotia, in 1976 with a bachelor of commerce degree (with distinction), majoring in accounting. In 1980, she began a 27-year career with the Bermuda government. She was Assistant Auditor and then Deputy Auditor for 9 years, providing senior managerial support to the Government Auditor. In 1989, Mrs. Jacobs Matthews was appointed Tax Commissioner.

From 1994 to 1999, she was Accountant General for the Government and, in 1999, was reappointed Tax Commissioner until

her retirement from the Civil Service in 2007.

She came out of retirement in 2008 to temporarily fill the new post of Director of Internal Audit, which had been transferred from the Ministry of Finance to the Cabinet Office.

Her primary role was to help permanent secretaries and department heads develop and maintain effective and efficient processes to improve accountability and transparency in the management of public funds. In carrying out that function, Mrs. Jacobs Matthews also maintained a close working relationship with the Auditor General.

Mrs. Jacobs Matthews is a member of the Institute of Chartered Accountants of Bermuda and Nova Scotia, the Association of Certified Fraud Examiners, the Institute of Internal Auditors, and the Government Finance Officers Association.

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

E-mail: auditbda@gov.bm
Web site: www.oagbermuda.gov.bm

Kenya

New Controller and Auditor-General Appointed

In January 2009, Anthony S.M. Gatumbu was appointed the new Controller and Auditor General of Kenya, succeeding Priscilla N. Komora, who has retired. Mr. Gatumbu is committed to continuing the ongoing reform agenda in the Kenya National Audit Office, enhancing its relationship with the National Assembly and other stakeholders, and working with the INTOSAI community.



Anthony S.M. Gatumbu

Before his appointment, Mr. Gatumbu had served as Deputy Auditor General for 2-1/2 years. He holds a bachelors degree in mathematics and business and also a diploma in public sector accounting. He has also attended numerous local and international workshops and programs in governance and accountability.

For additional information, contact the Kenya National Audit Office:

Fax: ++254 (2) 33 08 29
E-mail: cag@kenao.go.ke

Latvia

Annual Report for 2008

The State Audit Office of the Republic of Latvia prepared its annual report for 2008 summarizing its activities for that year. According to the report, the office continued assessing whether the use of taxpayer resources was not only legal but also efficient and effective. In 2008, the office conducted 61 audits and prepared 74 audit reports on financial and legality audits.

Given the complicated economic circumstances in Latvia, the State

Audit Office believes that it is very important to devote increased attention to the efficient and effective use of financial resources. The office has always made efficient resource management practices and efforts a top priority, and its auditors encourage other public administration institutions to act accordingly.

The 2008 annual report of the State Audit Office is available electronically on the office's Web site.

For additional information, contact the State Audit Office:

E-mail: lrvk@lrvk.gov.lv
Web site: www.lrvk.gov.lv

New Zealand

Auditor-General's Annual Plan

The New Zealand Auditor-General's Annual Plan for 2009-2010 is now available on the office's Web site at the following link: www.oag.govt.nz/annual-plan/2009-10.

In presenting the plan, outgoing Controller and Auditor-General Kevin Brady noted that this would be the first year under the SAI's new strategic plan (Strategy 2009-12) and would also be the year in which he completes his term. While Mr. Brady recognized that an incoming auditor-general will bring his or her own priorities, he wanted to ensure that the SAI's strategies, intentions, and risks were clearly laid out as a basis for the new SAI head to chart the course for his or her own term of office. He expressed his confidence that the SAI is moving in the right direction and will be in a good position for the transition to the new Auditor-General.

The New Zealand SAI's Strategy 2009-12 emphasizes the need to generate greater insight from its audit

work to support the public sector in responding to economic challenges while maintaining vital services and building the trust of citizens. The plan identifies areas for the SAI to focus on in addition to providing service performance information. These areas, which cover both central and local government, are procurement management, fraud awareness and minimization, and stewardship and management of infrastructure assets.

For additional information, contact the New Zealand SAI:

E-mail: enquiry@oag.govt.nz
Web site: www.oag.govt.nz

Poland

Supreme Chamber of Control Celebrates Its 90th Anniversary

In February 2009, the Supreme Chamber of Control of Poland (NIK) celebrated its 90th anniversary. Jacek Jezierski, NIK President, and members of the NIK College took part in a special session in the lower chamber of the Polish Parliament (the Sejm), which was attended by Lech Kaczynski, President of the Republic of Poland and a former NIK President himself. Mr. Jezierski stressed the importance of Polish history in describing the many changes the NIK has been subject to since its founding. He emphasized that remembering the past made us realize the magnitude of our predecessors' achievements, the importance of the tasks we face today, and the great responsibility current NIK staff face.

On February 7, 1919, Marshal Józef Piłsudski, the Chief of the State and founder of the 2nd Republic of Poland, issued a decree establishing the Supreme Chamber of State Control. This decree laid the foundation for

the development of an autonomous Polish audit institution that reported directly to the Chief of State and was responsible for auditing state revenues and expenditures and monitoring the management of state assets, industry, institutions, and foundations, including municipalities and local government. This modern SAI was also equipped with tools for auditing budget execution and, from the very beginning, paid attention to the need for transparency in public spending. Thus, the NIK motto—taken from an 1808 quote by Tadeusz Dembowski, the then Polish Minister of Treasury—is valid to this day: “Each person responsible for spending a penny of public money should be prepared to justify its expenditure.”

The organization and functioning of today’s NIK is set out in the Constitution of the Republic of Poland of April 2, 1997, and the Act on the NIK of December 23, 1994. The Polish SAI’s mandate is based on the principle of collegial responsibility, and the institution is accountable to the Polish Parliament.

In memory of the Polish SAI’s founder, top NIK management laid flowers at the monument to Marshal Józef Piłsudski on the date of the NIK’s anniversary. Flowers were also laid at the monument to Ignacy Jan Paderewski, a world-famous Polish pianist, composer, and statesman who became the Polish Prime Minister and Minister of Foreign Affairs in 1919, and on the grave of Józef Higersberger, the first NIK President. Documents and photographs depicting the NIK’s 90 year history were also displayed at the NIK’s headquarters.

For additional information, contact the NIK:

E-mail: wsm@nik.gov.pl
Web site: www.nik.gov.pl

Trinidad and Tobago

85th Anniversary of Auditor General’s Department

In March 2008, the Auditor General’s Department of the Republic of Trinidad and Tobago celebrated the 85th anniversary of the department’s local funding. In March 1923, Mr. A.G. Bidden was appointed as Director of Audit in Trinidad. Before that time, the Colonial Overseas Audit Office of Great Britain sent auditors to Trinidad. From 1923 until 1963, certain senior personnel continued to be drawn from the Colonial Overseas Audit Office, whose functions included auditing the country’s accounts.

The theme of the anniversary celebration was “New Beginnings,” and it included an inter-religious thanksgiving service, a 5K walk/run, and a dinner. The service took place on March 14 at Queen’s Hall and was attended by the President of the Republic of Trinidad and Tobago, His Excellency Professor George Maxwell Richards; several dignitaries; government officials; and staff members from the department. The service was conducted by the Inter-Religious Organisation of Trinidad and Tobago and members of different faiths offered prayers and readings. His Lordship the Bishop of Trinidad and Tobago, the Right Reverend Calvin Best, delivered the sermon. At the end of the service, the Auditor General presented monetary donations from staff members to representatives of the Cyril Ross Home for children with HIV/AIDS and to DRETCHI, an association for the hearing impaired. Group pictures of staff members dating back to 1948 were displayed in the lobby of Queen’s Hall.

On March 15, a 5K run/walk around the Queen’s Park Savannah in Port of

Spain and through the streets of St. Clair attracted more than 300 members of the staff and public. Her Excellency Dr. Jean Ramjohn-Richards, First Lady of Trinidad and Tobago, participated in the event. The First Lady and the President also attended the anniversary dinner on March 29 at which the President delivered an address challenging the department to remain vigilant in guarding the nation’s treasury and promoting accountability by protecting the public purse. He also urged the department to maintain high standards by training and retraining its staff. In her address, Sharman Ottley, the Auditor General, gave a history of the department’s progress in which she thanked successive administrations for upholding the department’s independence and also thanked current and former staff members for their contributions to the department’s work. Thanks were also expressed to client auditee bodies and central agencies for their assistance in facilitating the department’s work

For additional information, contact the Auditor General’s Department:

E-mail: sottley@auditorgeneral.gov.tt
Web site: www.auditorgeneral.gov.tt

Ukraine

Accounting Chamber Appointed as the New OSCE External Auditor

In April 2009, 56 member states of the Organization for Security and Co-operation in Europe (OSCE) unanimously accepted the government of Ukraine’s offer and appointed the Accounting Chamber of Ukraine as the OSCE external auditor for 2009. This is the first time in OSCE history that a country from Eastern Europe has assumed this position. Previously, the OSCE’s external audit responsibilities

were executed in turn by Switzerland, Finland, Sweden, the United Kingdom, and Norway. The appointment highlights the Accounting Chamber's compliance with international audit standards and professionalism.

According to OSCE rules, the external auditor is entrusted with auditing the OSCE administrative and financial system and making recommendations for improvement. The external auditor's 1-year term can be extended for the next 2 years.

For additional information, contact the Accounting Chamber:

E-mail: rp@ac-rada.gov.ua

Web site: www.ac-rada.gov.ua

European Court of Auditors

International Peer Review Report Issued

In December 2008, a report of an international peer review of the European Court of Auditors (ECA) was published. The report is available online at <http://www.eca.europa.eu/products/PeerReview>. This report represents a major milestone in the ongoing reform of the ECA, which is the independent audit institution of the European Union (EU). As such, the ECA has a unique role in contributing to the improvement of EU financial management and promoting accountability and transparency.

In recent years, enlargement of the EU has brought with it an influx of fresh ideas and opportunities for EU institutions but also significant challenges. Since 2004, the ECA budget and personnel have grown rapidly. In addition, there have been important changes in the ECA's audit environment. To better meet its treaty

obligations and fulfill its mission in a professional manner comparable to other SAIs around the world, the ECA recognized that it should adapt to a changing audit environment and reform itself.

In 2006, the ECA initiated a reform process that began with a self assessment of the way it was organized and operated and incorporated an action plan for improvement in many areas.

To implement this action plan, the ECA developed and published a statement of its mission, vision, and strategic objectives; produced its first annual activity report for 2007; updated its communication policy; and further developed its relations with stakeholders.

In December 2008, the ECA adopted an audit strategy for 2009–2012. This strategy brings together the various measures arising from the self assessment and action plan and is designed around two priority goals that will guide the ECA's work programs during that period: maximizing the overall impact from its audits and increasing efficiency by making the best use of resources.

The peer review of the ECA was carried out by a team of experienced financial and performance auditors from the SAIs of Canada, Norway, Austria, and Portugal. Its objective was to assess the design and operation of the ECA's audit management framework, which encompasses audit planning and examination processes for financial and performance audits, reporting on audit results, and the services that provide support and help the ECA achieve its objectives.

The peer review team acknowledged that the ECA is an organization in transition and concluded that it is

moving in the right direction. The team concluded that the ECA audit framework is suitably designed in accordance with the international auditing standards and good practices of SAIs. The team also observed that (1) the ECA conducts its work with independence and objectivity, (2) the audit reports examined during the review were based on sufficient and appropriate audit evidence, as required by international auditing standards, and (3) the stakeholders interviewed have a high level of confidence in the ECA reports and generally consider them to be fair, factual, and objective.

The peer review report also identified challenges and opportunities for improvement. These included the need to (1) develop a culture that emphasizes the ECA as a single audit institution, (2) enhance quality assurance and quality control activities, (3) ensure that the interpretation and application of its audit policies and practices are consistent; and (4) develop risk-based audit strategies to optimize the use of resources to meet the diverse needs of stakeholders.

As the peer report recognized, most of the recommendations had been anticipated in the framework of the action plan developed before the review. The ECA will integrate the rest of the peer review's recommendations into its audit strategy for 2009–2012 and endeavor to implement them during that period.

For additional information, please contact the ECA:

E-mail: auraud@eca.europa.eu

Web site: www.eca.europa.eu

United Nations

U.N. Committee Recognizes Importance of SAI Independence

The United Nations (U.N.) Committee of Experts on Public Administration publicly recognized for the first time the importance of SAI independence at its eighth meeting at U.N. headquarters in New York March 30–April 3, 2009. The expert committee is responsible for supporting U.N. Economic and Social Council (ECOSOC) work in promoting and developing public administration and governance among member states.

The meeting agenda dealt with accountability, transparency, and citizen trust in government, and INTOSAI had once again been invited to attend the meeting as an observer. The General Secretariat took this opportunity to represent the interests of INTOSAI and its members and express the concerns of government auditing in the debate on administrative reforms.

In light of INTOSAI's 2009 priority program to promote SAI independence, the representatives of the General Secretariat raised the issue of independence and emphasized the role of SAIs in ensuring transparency and accountability in the management of public funds. Through independent audits and publication of their audit findings, SAIs provide a good foundation to support public trust. They also promote good governance and contribute substantially to the implementation of international development objectives, including the U.N. Millennium Development Goals.

The experts agreed with INTOSAI that SAIs could perform their tasks objectively and effectively only if their constitutions endow them with the

required organizational independence and if they enjoy free and unlimited access to information.

The expert committee's final report to ECOSOC specially recognized the importance of SAI independence and its relevance to public trust and trust-building mechanisms.

At the initiative of the General Secretariat, the expert committee created the necessary framework to examine the independence of external government audit in greater depth at its next meeting in 2010.

The General Secretariat took a further step in significantly advancing INTOSAI's initiative to embody the independence of external government auditing—and thus the Declarations of Lima and Mexico—in a U.N. resolution, as had been decided at INTOSAI's 58th Governing Board meeting.

For additional information, contact the INTOSAI Secretariat:

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The October issue of the *Journal* will focus on independence. We are publishing the following article because of its findings on independence and invite our readers to respond to it with their own insights, recommendations, and ideas. Send your responses to Intosaijournal@gao.gov.

Open Budget Survey Findings on SAIs and Independence

by Vivek Ramkumar, Open Budget Initiative, International Budget Partnership

Eighty percent of the world's governments fail to give their citizens the information they need to hold the governments accountable for managing their money. This troubling finding comes from an extensive new survey of government budget transparency in 85 countries issued in February 2009 by the International Budget Partnership (IBP).¹ The survey also found that nearly 50 percent of the 85 countries IBP evaluated provide such minimal information that they are able to hide unpopular, wasteful, and corrupt spending.²

IBP's Open Budget Survey 2008 is an independent and comprehensive analysis that evaluates whether central governments give the public access to budget information and opportunities to participate in budget formulation, implementation, and evaluation processes. The survey also examines the ability of legislatures and supreme audit institutions (SAI) to hold their governments accountable.

The survey analyzed the results drawn from a rigorous questionnaire that reflects generally accepted good practices related to public finance management that international organizations have developed. These practices include the International Monetary Fund's Code of Good Practices, the Organization for Economic Cooperation and Development's Best Practices in Budget Transparency, and INTOSAI's Lima Declaration. The survey was managed by IBP and implemented by independent researchers with budget expertise from civil society organizations and academic institutions established in the 85 countries examined.

¹The IBP collaborates with civil society organizations in developing countries to analyze, monitor, and influence government budget processes, institutions, and outcomes. The partnership's aim is to make budget systems more responsive to the needs of poor and low-income people in society and, accordingly, to make these systems more transparent and accountable to the public.

²The following countries were included in the Open Budget Survey 2008: Afghanistan, Albania, Algeria, Angola, Argentina, Azerbaijan, Bangladesh, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Cambodia, Cameroon, Chad, China, Colombia, Costa Rica, Croatia, the Czech Republic, the Democratic Republic of Congo, the Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Fiji, France, Georgia, Germany, Ghana, Guatemala, Honduras, India, Indonesia, Jordan, Kazakhstan, Kenya, the Kyrgyz Republic, Lebanon, Liberia, Macedonia, Malawi, Malaysia, Mexico, Mongolia, Morocco, Namibia, Nepal, New Zealand, Nicaragua, Niger, Nigeria, Norway, Pakistan, Papua New Guinea, Peru, the Philippines, Poland, Romania, Russia, Rwanda, São Tomé e Príncipe, Saudi Arabia, Senegal, Serbia, Slovenia, South Africa, South Korea, Sri Lanka, Sudan, Sweden, Tanzania, Thailand, Trinidad and Tobago, Turkey, Uganda, Ukraine, the United Kingdom, the United States, Venezuela, Vietnam, Yemen, and Zambia.

Survey Findings

The survey assessed SAIs according to the following key characteristics:

- legal and financial independence from the executive,
- comprehensiveness of audit mandate,
- engagement with the public,
- timeliness in reporting audit results, and
- effectiveness of follow-up on audit recommendations.

Based on these assessments, an average score for SAI strength was calculated. The overall average score was 45 out of a possible 100.

The following sections analyze the key findings related to SAIs from the Open Budget Survey 2008.

Independence

Independence from the executive branch is one of the most important measures of an SAI's ability to provide effective oversight. Legal and financial dependence on the executive may cause the head of an SAI to withhold reports that are critical of the executive.

In 26 of the countries surveyed, the executive can remove the SAI head from office without the consent of either the legislature or the judiciary. Further, in 38 of the 85 countries, the executive rather than the legislature or the judiciary determines the SAI's yearly budget allocation. In 24 of these countries, the survey's civil society researchers felt that funding for the SAI was below the level of resources the SAI needed to fulfill its mandate.

Further, in 21 countries in which the legislature (rather than the executive) determines the SAI's yearly budget allocation, researchers felt that SAI budgets were not adequate to meet resource requirements.

In 31 of the 85 countries included in the survey, the SAI does not have full discretion in law to decide which audits it will undertake. In 13 of these 31 countries, SAIs have very limited or no discretion to decide which audits they will undertake.

Comprehensiveness

In 48 of the 85 surveyed countries, the SAI does not either release its audits of extrabudgetary funds (including oil stabilization funds) to the public, audit such funds, or release such reports within 24 months after the end of the fiscal year during which the audits were conducted. Although extrabudgetary funds are technically outside the budget, they are governmental in nature and thus should be subject to the same audit requirements as other government programs.

In 33 of the 85 countries, the SAI does not either employ designated staff assigned to audit security sector expenditures or undertake audits of the security sector. Because the public does not receive information on such secret programs, it is essential that legislators receive this information, including all audit reports on expenditures in the sector. SAIs should have staff with security clearances that give them access to all information related to secret expenditures.

Public Engagement

In 27 of the countries surveyed, audit reports are not made publicly available. Six of these countries do not produce audit reports.

In 44 of the countries,³ the SAI's annual audit report does not include an executive summary. Since audit reports can be fairly technical documents, an executive summary of the report's findings can help make the report more accessible to the media and the public.

It is, however, heartening that in many of the countries surveyed, the SAI has some procedures in place to tap the public as a source of information. In 46 countries surveyed, SAIs maintain formal mechanisms through which the public can register complaints and suggestions regarding the agencies, programs, or projects that citizens believe the SAI should audit. However, in 12 of these 46 countries, the SAI receives little or no information from the public on potential subjects for audit. This may suggest that the mechanisms the SAI established for soliciting public recommendations are inadequate or inconvenient.

Timeliness

Delays in releasing audit reports reduce the opportunities available to civil society and the public to use audit information to advocate for improvements in government performance. In 30 countries surveyed, the SAI either had not audited any expenditure or had not released such reports to the public within 2 years of the end of the fiscal year. In an additional 13 countries, the SAI completed its audits between 12 and 24 months after the end of the fiscal year. In only 15 countries surveyed did the SAI release its annual report within 6 months of the end of the fiscal year, as recommended by international good practice.

Effective Follow-up

SAIs' mandates usually prevent them from playing a direct policy or political role. As a result, the legislature needs to follow up on an SAI findings and recommendations if SAI audits are to have practical impact. However, in 17 of the countries surveyed, the legislature did not follow up on the work of the SAI at all, while in an additional 20 countries, legislative follow-up was minimal.

Further, in 64 countries, the executive did not reveal what steps, if any, it had taken to address audit recommendations. In addition, neither the SAI nor the legislature reported to the public on actions the executive had taken to address audit recommendations in 64 countries. Failures to publicize actions taken in response to audit findings make it easier for governments to ignore audit recommendations.

³The 44 countries include the 27 countries where audit reports are not publicly available.

Conclusion and Recommendations

The survey results reveal that in most of the surveyed countries, several serious constraints undermined the oversight capacity of SAIs (and legislatures). Effective accountability depends not only on transparency (and the public's access to budget information) but also on the strength of institutions like SAIs and legislatures. Unfortunately, the survey found that the countries with the weakest SAIs and legislatures were also the countries that had the least transparent budget systems. Thus, budget oversight in each of these countries was frustrated by both limited access to information and weak formal oversight institutions.

IBP offers two recommendations to assist SAIs in their oversight role. First, SAIs could begin to engage more closely with civil society organizations (CSO) and with the public. Such collaboration could bring more publicity to audit findings, build pressure on the executive to follow up on audit recommendations, bring new ideas and evidence for audit investigations, and increase the resources available for SAIs to use in conducting audits.

A recent example from Honduras illustrates these points. In 2007, the Honduran Tribunal Superior de Cuentas (the national SAI) began a pilot program to solicit greater public participation in its audits. Based on public input received at a public meeting, the SAI selected eight agencies—including hospitals, schools, and municipalities—to audit. Subsequently, the SAI sought and received public complaints about the functioning of these agencies, investigated these complaints, and incorporated its findings into its audit reports. The SAI organized a subsequent public meeting to discuss audit reports, and officials from the audited entities, who attended the meeting, were asked to respond to the audit findings. An assessment of the initiative found that public input led to a large number of the audit findings reported from these pilot audits—and that many of these findings would not have been identified through a regular audit investigation.⁴

Second, the Joint Platform⁵ established during the XIX INCOSAI in Mexico could be used to document good practices in SAI-CSO collaboration that enhance oversight of government budgets. INTOSAI could then use the platform to encourage SAIs interested in replicating such good practices to begin pilot initiatives to collaborate with CSOs and assess the results of such collaboration.

IBP's Open Budget Survey provided a broad analysis of SAI practices in 85 countries. The survey's results provide a baseline of current SAI performance, including independence, the timeliness of reports, and the level of interaction with the public.

⁴Source: International Budget Partnership. See www.internationalbudget.org/resources/newsletter44.htm#Honduras.

⁵At the XIX Congress in Mexico in 2007, INTOSAI established a joint platform with the United Nations Department of Economic and Social Affairs (UNDESA) and the International Budget Partnership to examine how SAIs can foster collaborative practices that will increase civil society participation in the audit process. More information on the Joint Platform is available in this *Journal* at <http://www.intosaijournal.org/pdf/jan2008.pdf>, p.22.

The results indicate that significant work is needed to ensure that SAIs are constituted within the institutional arrangements and perform within the standards set forth by the Lima Declaration. SAIs will be positioned to effectively hold their governments accountable only if they are able to attain these standards.

For more information on the IBP and on the Open Budget Initiative contact Vivek Ramkumar at ramkumar@cbpp.org or go to IBP's Web sites: www.internationalbudget.org and www.openbudgetindex.org.

Reporting on Nonfinancial Information

by Michèl Admiraal, Royal Nivra, and Rudi Turksema, Netherlands Court of Audit

The past few years have seen a growing focus on social responsibility and policy results in the public sector. Governors, politicians, controllers, and government audit offices have become more interested in performance information in budgets and reports. Much of the information on social performance and effects is of a nonfinancial nature. It does not concern uniform measurable monetary units but rather numbers or processes and systems. Public sector users are especially interested in nonfinancial information, which reflects the results and effects of government policy. Therefore, the reliability and relevance of this information are highly important. Auditors can play an important role in providing assurance on the reliability of nonfinancial information.

Unlike reporting on financial information, reporting of nonfinancial effects is still comparatively new, and no generally accepted principles are yet available. Moreover, the data are very diverse; the more qualitative the data are, the more difficult they are to measure and assess. Also, the audit of nonfinancial information is a new audit subject for many auditors. For this reason, Royal Nivra (the Dutch organization for the accounting profession) initiated a project that resulted in the Nivra guide *Nonfinancial information in progress, a guide to the reporting and assurance of nonfinancial information in the public sector*. The guide aims to help develop a universal basis for reporting and providing assurance on nonfinancial information. It is the result of the work of representatives from different sections and disciplines in the Dutch public sector, including the Netherlands Court of Audit, the Dutch SAI.

This article presents the main findings reported in the guide, including a number of recommendations and an agenda for the future audit of nonfinancial information.

Need for Guidance on Nonfinancial Information

For financial information, comprehensive registration systems and generally accepted principles for presenting information have been in existence for a considerable time. However, this is not the case for nonfinancial information, where there are fewer safeguards for reliability and the quality requirements for the information are not yet standardized. Because suitable criteria and a frame of reference for nonfinancial information are not available, it is not always possible or desirable to provide assurance, especially in regard to measuring policy effects. A theatrical performance may be performed perfectly and meet all kinds of objective quality standards, but the audience determines whether they consider the performance a success. Nonfinancial information, therefore, requires special diligence in terms of its definition, frame of reference, and reporting.

In the guide, we use the following definition for nonfinancial information:

Nonfinancial information comprises all quantitative and qualitative data on the policy pursued, the business operations, and the results of this policy in terms of output or outcome, without a direct link with a financial registration system.

Auditors are increasingly being asked to provide assurance on nonfinancial information on a standalone basis or in conjunction with financial statements. However, auditors can only provide assurance if they have a clear framework for assessing the information. Currently, there is no generally accepted system for administering and reporting nonfinancial information, which concerns quantitative data such as numbers as well as policy effects that are difficult to measure because of the heterogeneity of the information and the divergent needs of users. This can give rise to debates on the interpretation or origin of the information. In sum, there is a need for more structuring, standardization and guidance.

This topic is, of course, not new. There have been various developments and initiatives with regard to nonfinancial information in the public sector. In some cases, a report on the process of preparing the information will suffice, while in others explicit assurance on the information itself is required. At an international level, INTOSAI has issued INTOSAI Guidance on Good Governance (INTOSAI GOV) 9220, Accounting Standards Framework Implementation Guide for SAIs: Management Discussion and Analysis of Financial, Performance and Other Information. This guideline identifies performance and governance information—which are of a nonfinancial nature—in addition to financial information. In the private sector, examples include corporate social responsibility reports, the involvement of the auditor with in-control statements, and privacy audits. The guide incorporates these ideas and initiatives.

Reporting

Information is always reported in conformity with a specific frame of reference that presents the criteria or standards for the valuation, classification, and presentation of the information. Insofar as this framework relates to the presentation of information in a report, it is referred to as accounting principles. Financial reporting has gone through a long period of development, and generally accepted accounting principles are available for it. Examples include national standards issued by the Dutch Accounting Standards Board and international standards, such as International Financial Reporting Standards (private sector) or International Public Sector Accounting Standards (public sector).

With nonfinancial information, the quality requirements for the information and the way in which it is presented are not uniform. Only limited professional rules of conduct for auditors in this information field have been developed. The debate on reporting and providing assurance on the information is in its early stages. In terms of standardization, corporate social responsibility reporting is at the forefront. The Global Reporting Initiative issues international sustainability reporting guidelines whose application is voluntary. Although Royal Nivra published Dutch standard COS 3410N (Assurance Engagements Relating to Sustainability Reports) in 2007, little experience has been acquired with it in practice as yet.

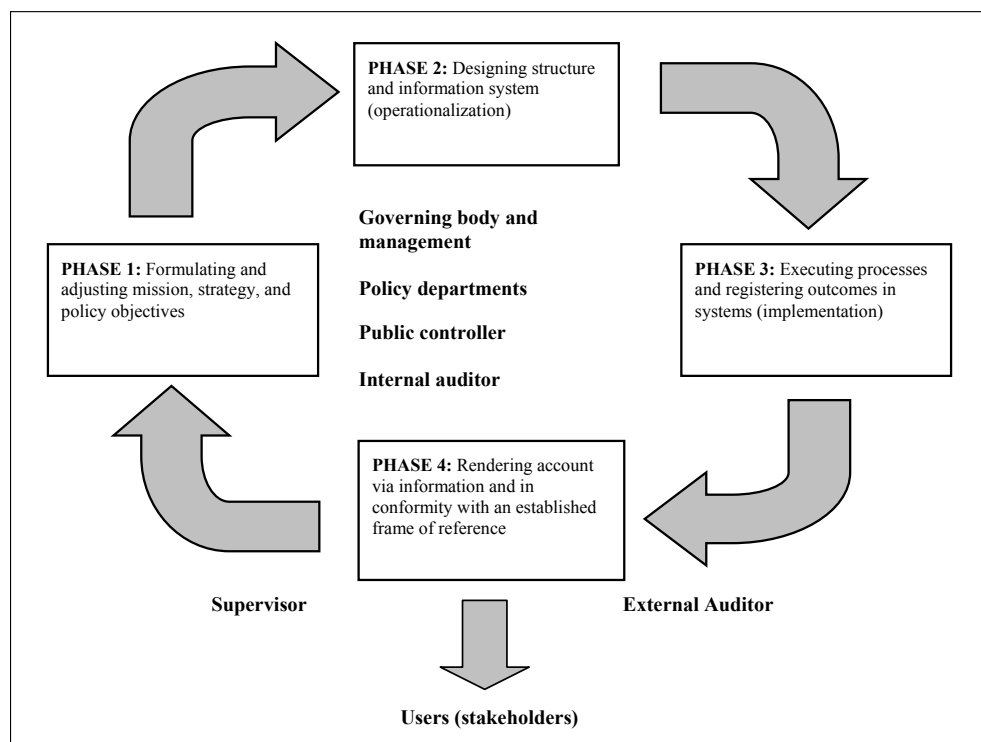
Management Cycle

To understand the reporting of nonfinancial information, it is instructive to consider public governance and the management cycle in public organizations. Reporting

comprises the financial and nonfinancial information by which a public organization renders an account on its actions to its stakeholders. This information does not exist in a vacuum but forms part of a continuous cycle of planning, designing, implementing, measuring, and adjustment.

As shown in figure 1, public governance requires an adequate distribution of responsibilities among the governing body and management, policy departments, the controller, the internal auditor, the external auditor, and the supervisor. The quality of the management cycle of nonfinancial information can only be safeguarded if it is integrated or embedded in the governance of the organization.

Figure 1: Management Cycle for Public Governance



Auditors and Assurance

The auditor comes into play when users or providers of information want reliable information. His expertise and knowledge of organizations and information systems enable him to play a part in assessing nonfinancial information. The contents of this assessment are determined by the type of information, the method of rendering account, and the needs of the user. In this regard, it is important to distinguish between assurance and nonassurance.

For an assurance engagement, the auditor provides an assurance report that gives a predetermined degree of assurance on the reliability of an account or another subject matter. This requires that a number of specific conditions be met. For a nonassurance engagement, factual findings are reported without expressing a conclusion or opinion or providing advice. Every type of engagement has its own rules and reports, as figure 2 illustrates in regard to International Federation of Accountants (IFAC) standards.

Figure 2: International Framework of Assurance Engagements

Auditor’s engagements – IFAC Code of Ethics			
Assurance engagements		Nonassurance engagements	
Audit and review of historical financial information		Other assurance engagements	Agreed-upon procedures
Financial statements	Other financial reports		
ISA 200 - 2999	ISAE 3000 - 3999	ISRS 4400	

Legend:

ISA = International Standards on Auditing

ISAE – International Standards on Assurance Engagements

ISRS = International Standards on Related Services

The client and user must decide upon the role of the auditor. With respect to nonfinancial information, the auditor can have one of three following roles:

- *Advisor* on the design and improvement of nonfinancial information systems and processes in the organization by issuing advice. Only the code of ethics applies.
- *Reporter* of factual findings on the process of preparing nonfinancial information without providing assurance on it. In this case, users draw their own conclusions based on the auditor’s factual findings. The code of ethics and International Standard on Related Services (ISRS) 4400 provide the primary basis for this.
- *Assurance provider* on the process of preparation or on the information itself as an outcome of this process. The auditor provides assurance on the reliability of the process or the information by providing an assurance report. The code of ethics, the International Framework of Assurance Engagements, and ISAE 3000 provide the primary basis for this.

Other experts can be involved in the examination, such as electronic data processing auditors, management consultants, or social scientists.

Recommendations

The reporting of nonfinancial information is more than an externally directed process with the auditor as assurance provider. It must also be part of the governance structure and focus on users’ wishes. The guide groups propositions into three categories linked with the various phases in the management cycle of nonfinancial information. They are formulated so that they are relevant to both the public and private sectors.

Strategy and policy

- An expectation gap on nonfinancial information can be avoided by the participation of and communication with all parties involved, in particular the users of the information.
- The foundation for the reporting and assurance of nonfinancial information is at the governance level; accordingly, strategy and policy have to be formulated as specifically as possible.
- An adequate system of nonfinancial information requires unambiguous, consistent, and transparent terms and definitions.
- The reporting on nonfinancial information must focus a limited number of relevant policy priorities.
- In view of the constantly changing social and political environment, the design of a nonfinancial information system must always allow for flexibility.

Organization and Implementation

- Reporting and providing assurance on nonfinancial information must be an integral part of the governance and management control structure of an organization.
- Providing assurance on nonfinancial information is only possible if the reporting is embedded in a system of planning and control.

Reporting and Assurance

- Scope for flexibility is also necessary for the assurance of nonfinancial information; assurance must be a means to an end.
- A clear choice must be made in advance regarding the subject matter and role of the auditor.
- The further nonfinancial information is removed from financial information, the more desirable it is to work together in multidisciplinary teams with other experts.

Agenda for the Future

The guide provides only a snapshot. Developments are continuing, especially in the field of information technology and public governance. Information is increasingly being provided in digitized form, and publication of information via the Internet is becoming the norm. The professional rules of auditors are also changing. The agenda for the future presents four recommendations for further initiatives in the field of the reporting and providing assurance on nonfinancial information. Every agenda item is intended for a specific target group and lays down a challenge for further action.

Agenda for Governing Bodies

Nonfinancial information must have an explicit place within governance. Extensive communication on relevance and reliability is required with all parties involved. The accountancy profession can play a coordinating role in this context.

Agenda for Accounting Institutions

Accounting institutions need to give auditors more guidance regarding examining and providing assurance on nonfinancial information.

Agenda for Auditors

Auditors have a societal role and must also be willing to formulate an opinion that is clear to the users on nonfinancial information.

Agenda for Technical Experts

New accounting and audit methods are needed to facilitate reporting and providing assurance on nonfinancial information. This is a task for controllers and internal and external auditors.

Since there are many parallels between the public and private sectors, the guide's recommendations and agenda items are also applicable to the private sector. Governance attention at the highest level of organizations is an important condition for increased reporting and providing assurance on nonfinancial information. Governance and the management cycle of information are the foundations for reporting and providing assurance on nonfinancial information.

More information on this project can be found on the Royal Nivra Web site: www.nivra.nl. The guide can be downloaded free of charge from the Nivra Web site at: www.nivra.nl/Sites/Files/0000024233_EnglishversionNFI.pdf

For additional information contact the authors: Michèl Admiraal, project manager at Royal Nivra, at m.admiraal@nivra.nl and Rudi Turksema, performance audit expert at the Netherlands Court of Audit, at r.turksema@rekenkamer.nl.


 A graphic header for the article. It features a spotlight on the left side, casting a beam of light towards the center. The text "Spotlight on" is written in a cursive font, and "THE STRATEGIC PLAN" is in a bold, serif font. In the background, there is a faint, stylized globe with latitude and longitude lines.

Spotlight on THE STRATEGIC PLAN

by Kirsten Astrup, INTOSAI Director of Strategic Planning

The importance of knowledge sharing cannot be stressed often enough. Sharing with and learning from each other directly mirrors the INTOSAI motto, “Mutual Experience Benefits All.” As I have participated in the steering committee and subcommittee meetings of INTOSAI’s strategic goal committees over the past 2 years, I have been able to observe a genuine team spirit and knowledge sharing in action. This team spirit has been reflected in the cooperation displayed while developing the strategic plan and the way in which draft products are exposed and open for comments. Because I come from a work culture where cooperation is highly valued and respected, this type of information and knowledge sharing is not new to me—it is the cornerstone of teamwork manifested in three key principles: a cooperative team spirit, openness, and respect for others. These principles help us perform tasks in an efficient and uniform manner.

In the last issue of the *Journal*, I promised to write about knowledge sharing in this issue as the inaugural meeting of the Knowledge Sharing Steering Committee for INTOSAI’s strategic goal 3 was coming up as I was finishing my column. I greatly enjoyed participating in the meeting, which Vinod Rai, Comptroller and Auditor General of India chaired in an efficient and orderly manner.

Knowledge Sharing is a concept we probably interpret in various ways, and before I went to the New Delhi meeting, I took some time to think about it. We share knowledge all the time. In our youth, our teachers share their knowledge about subjects such as mathematics, geography, or history. When we read a novel, the author brings us into his or her imaginary world, and we often



Kirsten Astrup

put ourselves in the place of one or more of the characters, sharing their knowledge and feelings. However, this is not what we have in mind when we talk about the overarching issue of knowledge sharing in connection with INTOSAI's strategic plan. As stated in the plan, INTOSAI's aim is to "encourage SAI cooperation, collaboration, and continuous improvement through knowledge sharing."

The structure of the Knowledge Sharing Committee is now similar to that of the committees under the two other operational goals in the strategic plan. However, this committee is by far the biggest, with 104 participants under its umbrella. To give the reader some indication of the work areas under this goal, its nine working groups and the countries chairing them are listed below:

- Audit of Public Debt, *Mexico*
- Information Technology Audit, *India*
- Environmental Auditing, *Estonia*
- Privatization, Economic Regulation, and Public-Private Partnerships, *United Kingdom*
- Program Evaluation, *France*
- Fight Against International Money Laundering and Corruption, *Egypt* (as of June 2009)
- Accountability for and Audit of Disaster Related Aid, *European Court of Audit*
- Key National Indicators, *Russian Federation*
- Value and Benefits of SAIs, *South Africa*

In addition to the nine working groups, there are two task forces: INTOSAI Communication Strategy, chaired by the INTOSAI General Secretariat, and the Global Financial Crisis, chaired by the United States of America. This *Journal* is also part of INTOSAI strategic goal 3.

At the New Delhi meeting, the goal 3 working groups and task forces reported on their progress (see the "Inside INTOSAI" section of the April 2009 *Journal* for more information on their reports). I was happy to observe that the strategic plan continues to be implemented with great efficiency and broad-based support. The work of the working groups and task forces is very impressive, and the topics are important for both INTOSAI as a whole and individual SAIs. The work includes conducting best practice studies, producing audit guidance material, and performing research on issues of mutual interest and concern. It also covers tools for benchmarks and communication that encourage knowledge sharing among SAIs.

The meetings included many good discussions about the work ahead and what has been achieved. Much of the creative work within these working groups and task forces involves capturing and collecting the knowledge within the group and making it visible and accessible to others. Magnus Borge, the Director General of the INTOSAI Development Initiative (IDI), stated that when IDI was preparing its strategic plan for 2007–2012, its focus changed from information sharing to knowledge sharing

as a result of a growing understanding of the distinction between the two. IDI views information as patterns extracted from a data set, while knowledge is actionable information or the capacity to act. IDI determined that knowledge sharing is only one of the four components of knowledge management—the others being creating, capturing, and applying knowledge.

I believe it is important to keep all the different components of knowledge management in mind. Understandably, we have to create and capture knowledge before we can share it. Also, we need to concentrate on the fourth component—applying knowledge—and avoid the tendency to substitute knowledge for information and carry on as if they were the same thing. As I see it, the challenge for INTOSAI and individual SAIs is making shared knowledge part of our own knowledge base and applying it productively to improve our individual and organizational performance and achieve our organizational goal of becoming a model international organization.

In the October issue of the *Journal*, I plan to write about some aspects of SAI capacity building, goal 2 of the strategic plan.

Please feel free to contact me at astrup@rechnungshof.gv.at if you have comments or would like to give feedback on issues related to the implementation of INTOSAI's strategic plan.



Financial Audit Guidelines Subcommittee

Schedule for Exposure of Practice Notes

Practice notes for the following International Standards on Auditing (ISA) are scheduled for exposure from May through July 2009:

- ISA 402—Audit Considerations relating to an Entity Using a Service Organization
- ISA 530—Audit Sampling
- ISA 501—Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures.
- ISA 510—Initial Audit Engagements—Opening Balances
- ISA 520—Analytical Procedures
- ISA 540—Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures

Practice notes for the following ISAs are scheduled for exposure from June through August 2009:

- ISA 265—Communicating Deficiencies in Internal Control to Those Charged with Governance
- ISA 320—Materiality in Planning and Performing an Audit (re-exposure)
- ISA 620—Using the Work of an Auditor's Expert

In addition to these practice notes, the following two general International Standards of Supreme Audit Institutions (ISSAI) are planned for exposure from July through October 2009 after being approved at the PSC Steering Committee meeting in June:

- ISSAI 1000—General Introduction to the INTOSAI Financial Audit Guidelines
- ISSAI 1003—Glossary of Terms to the INTOSAI Financial Audit Guidelines

Subcommittee Meetings

In April 2009, the European Court of Auditors hosted a Financial Audit Guidelines Subcommittee (FAS) meeting in Luxembourg. During the meeting, seven practice notes were approved for exposure and nine practice notes received final approval.

In October 2009, FAS will hold its last meeting before the INTOSAI Governing Board meeting, where 36 ISSAIs will be presented for approval.

Communication of ISSAIs

FAS has begun work on how to present the ISSAIs at INCOSAI XX in South Africa in 2010. It is hoped that the INTOSAI Financial Audit Guidelines will already be familiar to SAIs by that time and that all SAIs will want to implement the ISSAIs in their daily work.

For additional information, please contact the FAS Secretariat:

E-mail: projectsecretariat@riksrevisionen.se

Web site: <http://psc.rigsrevisionen.dk/fas>

First Meeting of the INTOSAI Working Group on the Value and Benefits of SAIs

The first meeting of the Working Group on the Value and Benefits of SAIs took place in Sun City, South Africa, March 9–11, 2009. The working group consists of 14 members representing almost all of INTOSAI's regional groups and different audit systems.



Members of the Working Group on the Value and Benefits of SAIs at its initial meeting in South Africa in March 2009.

During the meeting, the working group participants agreed that the value and benefits of SAIs relate to two key areas: SAIs are to be

- model independent organizations and
- institutions that make a difference in the lives of citizens.

The participants then identified the fundamental requirements and related guiding principles that support each area. Taking into consideration the related work that INTOSAI has already done regarding fundamental requirements, the participants documented eight fundamental principles for the first area and five for the second.

The following are the fundamental guiding principles for the first area, SAIs as model independent organizations.

- the independence of SAIs,
- the transparency and accountability of SAIs,
- service excellence and quality considerations in all aspects of SAI functioning,
- good governance arrangements within SAIs,
- the ability of SAIs to be responsive to changing environments and stakeholder expectations without compromising independence,
- the application of a code of ethics by SAIs,
- knowledge sharing by SAIs, and
- enhancing the reputation of SAIs.

The following are the fundamental guiding principles for the second area, SAIs as institutions that make a difference in the lives of citizens.

- SAI contribute to improving the lives of citizens by enhancing accountability and transparency so that government is held accountable for using resources
 - legally and responsibly;
 - for the purposes intended; and
 - economically, efficiently and effectively.
- SAIs serve as a credible source of independent insight and guidance to facilitate continuous improvements in government.
- SAIs empower the public to hold government accountable and responsive through
 - objective information,
 - the simplicity and clarity of their messages, and
 - convenient access to audit reports and messages in relevant languages.
- SAIs enable the legislature, one of its commissions, or those charged with governance to discharge their responsibilities to respond to audit findings and recommendations and take appropriate corrective action.
- SAIs follow up on audit findings and recommendations and provide assurance on the implementation of recommendations.

The working group anticipates that these requirements, guiding principles, and references to INTOSAI guidance and SAI practices will provide a framework for increasing the value and benefits of SAIs. Members of the working group are currently researching the 13 requirements they identified in order to compile key questions that will form the basis for soliciting further input from SAIs. The framework and evaluation questions will be consolidated into a principal paper, which will be translated into the official INTOSAI languages and distributed to all SAIs in September 2009. SAI responses to the principal paper will be used to compile a discussion paper for theme I of the XX INCOSAI to be held in South Africa in 2010.

The discussion paper will be the focus of the working group's next meeting, which will be hosted by the SAI of the Accounts Chamber of the Russian Federation in March 2010.

For additional information, contact the South African SAI:

E-mail: namblam@agsa.co.za

Web site: www.agsa.co.za

Task Force on the Global Financial Crisis

What Role Do SAIs Have in the Global Financial Crisis?

This question was the driving force behind a meeting of the INTOSAI Task Force on the Global Financial Crisis that was held in Washington June 29–July 1, 2009. Representatives from 24 of the 25 member SAIs on the task force met to exchange views on this critical subject and to hear from distinguished experts in the fields of finance, economics, public policy, international development, and public sector audit and accounting. Over the coming years, task force members will continue to consider the vital role of SAIs in addressing the current global financial crisis.



Participants in the meeting of the Task Force on the Global Financial Crisis in Washington.

The meeting was organized around four principal themes that encompassed the objectives from the task force terms of reference. The four themes were

- lessons learned and the genesis of the financial crisis;
- initial government responses to avert or minimize the crisis and the real economy;
- reforms, transparency, and accountability; and
- challenges to SAIs and international engagement.

The agenda included presentations on the globalization of mortgage finance, the impact of accounting standards on financial statements and international standard-

In response to the current financial crisis and downturn in global economies, the INTOSAI Governing Board established the Task Force on the Global Financial Crisis at its 58th meeting in Vienna in November 2008. The U.S. Government Accountability Office (GAO) was asked to chair this effort. The first meeting of the task force was conducted by teleconference in late February 2009. The meeting held this June in Washington was the first in-person meeting of the task force.

setting activities, economic recovery, and challenges to SAIs. Task force members shared a variety of insightful points of view regarding the following significant themes that recurred throughout the discussions and presentations.

Ethics and Institutional Arrogance

This crisis may be demonstrating that ethics, accountability, transparency, and risk management are all highly interrelated. The causes of the current financial crisis include the role that corporate ethics and institutional “arrogance” may have played as well as a system of incentives that avoided consideration of longer term risks and instead focused on short-term gains and transactional fees. Participants discussed how societies can protect themselves from actions that while not criminal, are ultimately harmful.

The Financial Crisis and the Real Economy

The financial sector’s crisis has spilled over into the real economy. Even if financial markets and banks are stabilized, the current crisis may be prolonged if the real economy does not recover. One presenter suggested that in considering the effectiveness of government responses, we may have to consider moving beyond conventional economic remedies—such as large stimulus packages—since the economies of high-income countries currently have massive excess capacity. This would require finding government stimulus programs that can unclog the “bottlenecks of growth” with innovative projects that can drive short-term job creation and long-term growth. In such a case, the growth of the economy pays for the stimulus projects, instead of future taxes or inflation.

Credibility and Transparency

The credibility and transparency of financial information, financial accounts, and financial instruments (securities, derivatives, etc.) are critical and essential factors in helping to reduce the risk of future crises. SAIs must be independent and can play an important role in addressing the actions of decision makers through best practices, lessons learned, professional standards, and ethics.

Next Steps

The task force is working to organize itself to help the INTOSAI membership address the many challenges that this crisis presents. It is considering dividing its 25 members into smaller subgroups, each of which would focus on one of the following areas:

- the causes of the financial crisis and possible actions to minimize future crises,
- actions governments are taking to address the real economy and stabilize financial markets, and
- challenges facing SAIs.

The United States chaired and hosted the meeting. Auditors general from Canada, Cyprus, Indonesia, Netherlands, Morocco, Saudi Arabia, Sweden, and Venezuela attended the meeting, along with representatives from Austria, Chile, China, Denmark, Estonia, Finland, Hungary, Italy, Japan, Korea, Mexico, Poland, Russia, Slovakia, and the United Kingdom.

Communication tools are also being considered to ensure the sharing of knowledge and best practices among task force members and to facilitate collaboration within and across regions.

For additional information, please contact GAO at spel@gao.gov

Pacific Association of Supreme Audit Institutions

Transitional Working Group Meeting Held in Wellington

The Pacific Association of Supreme Audit Institutions (PASAI) Transitional Working Group (TWG) met in Wellington, New Zealand, March 23–25, 2009, to finalize the PASAI Charter, review program funding and staff resource arrangements, discuss a framework for a capacity development program, and develop a proposal for mobilizing a cooperative performance audit. PASAI, formerly known as SPASAI, is changing its organizational structure and the TWG has been set up to oversee the implementation arrangements.

Paul Allsworth, TWG Committee Chairperson and Auditor General of the Cook Islands, commented that the meeting successfully met its objectives, with substantive inputs from auditors general and partner agencies that allowed for good progress on design, planning, and resource allocation for the various initiatives planned under the Pacific Regional Audit Initiative (PRAI).

Kevin Brady, Secretary General of PASAI and Controller and Auditor-General of New Zealand, noted that the initiatives would be managed by the strengthened PASAI Secretariat, once it is established. In the interim, Eroni Vatuloka, formerly Auditor-General of Fiji, has been appointed to be Program Coordinator and will manage preparatory initiatives.

The TWG comprises the auditors-general from the Cook Islands, New Zealand, Palau, Papua New Guinea, Samoa, and Tuvalu. Representatives from the Asian Development Bank (ADB), the Australian Agency for International Development (AusAID), the INTOSAI Development Initiative (IDI), the New Zealand International Aid and Development Agency (NZAID), the World Bank, and the Pacific Islands Forum Secretariat also attended the Wellington meeting.

Improving Public Auditing in Kiribati, Nauru and Tuvalu

As part of a new PASAI initiatives, auditors general from Kiribati, Nauru, and Tuvalu signed a memorandum of understanding in March 2009 initiating the Subregional Audit Support (SAS) Program under the overall framework of the Pacific Regional Audit Initiative (PRAI). The PRAI was developed through an extensive 18-month consultative process guided by PASAI, with support from ADB and AusAID, under the Pacific Islands Forum Secretariat's coordination. The forum comprises 16 independent and self-governing Pacific states and is the region's premier political and economic policy organization.

Isaako Kine, SAS Program Committee Chairperson and Auditor General of Tuvalu, said the SAS Program's objective is to enable the public accounts of Kiribati, Nauru, and Tuvalu to be audited in a timely manner in accordance with uniformly high standards. He stated, "The SAS Program in turn will contribute to good governance through improved accountability and efficiency in providing audit scrutiny and oversight over the use of public resources in Kiribati, Nauru and Tuvalu. . . . The SAS Program will also strengthen in-country financial management capacity and enhance accountability mechanisms."

Barry Reid, the ADB's Senior Financial Management Specialist, remarked that the program has the unanimous support of PASAI members and Pacific Islands Forum leaders and economic ministers. Under the SAS program, a team will work with the three participating countries to conduct financial audits and, at a later point, performance audits. "SAS team members will be seconded from the Kiribati National Audit Office, the Nauru Audit Department, and the Office of the Auditor General of Tuvalu and will be led by external audit staff with practical auditing and training experience," explained Mr Reid. "The initial program period will be 2008–2012, at which point the program will be evaluated."

Mr. Kine noted that the program will be managed by the strengthened PASAI Secretariat, once it is established, under the oversight of an SAS Program Committee. In the interim, the program will be established and managed by the SAS Program Coordinator under the SAS Program Committee's oversight.

Tuiloma Neroni Slade, Secretary General of the Pacific Islands Forum Secretariat, said forum leaders and forum economic ministers have identified the audit initiative as an important regional undertaking. He stated that PRAI progress is an excellent demonstration of regional cooperation that pools scarce resources to support improved transparency and accountability in the management and use of public resources. Although more work remains to be done, the good progress reflects the commitment of all relevant stakeholders—national SAIs, which support the initiative; PASAI, which provides leadership and guidance; and the ADB, AusAID, and IDI, which provide financial and technical support.

The SAS Program Committee, which was established to implement the SAS Program, met in Wellington, New Zealand, March 19–20 to make transition arrangements to mobilize staff resources so that cooperative audits can be undertaken in the three participating jurisdictions starting in the third quarter of 2009. The working group comprises the auditors-general from Kiribati, Nauru, and Tuvalu. Representatives from the ADB, AusAID, INTOSAI, and the Pacific Islands Forum Secretariat also attended the meeting.

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IDI Transregional Program on Public Debt Audit

In 2008, IDI launched the Transregional Capacity Building Program on Public Debt Audit. This program is designed to enhance the professional and organizational capacity of participating SAIs in public debt audit. Given the diversity of experience and development in this area, the program will address both the financial/compliance and performance audit approaches to public debt audit. It will be delivered in cooperation with the Debt Management Program (DMFAS) of the United Nations Conference on Trade and Development (UNCTAD), the United Nations Institute for Training and Research (UNITAR) and the INTOSAI Working Group on Public Debt. The program will run until 2011 and will include online training in public debt audit, adaptation of INTOSAI guidance at the SAI level, and pilot audits of public debt. It will also enable SAIs to adapt public debt audit manuals so that they are aligned with international best practices. Twenty-eight SAIs from AFROSAI-E (English-speaking), AFROSAI-F/CREFIAP (French-speaking), ARABOSAI, ASOSAI, CAROSAI, EUROSAI and PASAI have been selected to take part in the program, which will be delivered in French and English. In April 2009, IDI representatives and a group of experts from SAIs, DMFAS, UNITAR, and the World Bank met in Tunisia to determine the curriculum, content, and design of the 8-week E-learning Course on Public Debt Audit, which will be delivered to all participating SAIs in October and November 2009.

IDI Needs Assessment Guide Review Meeting

In April 2009, IDI program and institutional strengthening managers responsible for the delivery of needs assessment programs throughout INTOSAI's regions met in Oslo, Norway. The objective of this meeting was to capitalize on the lessons learned during these programs, review the IDI needs assessment framework and toolkit, and write a needs assessment handbook. The handbook will be published and made available to the INTOSAI community in the second half of 2009.

IDI/ASOSAI Blended Train-the-Trainer Program

IDI and ASOSAI launched a blended train-the-trainer program in 2008 to strengthen the regional training network and train a new group of IDI-certified training specialists. After completing the Course Design and Development Workshop and the online practicum phase, the 37 participants reconvened in China in May 2009 for the program's last activity—a 3-week Instructional Techniques Workshop. During the workshop, the participants were trained in instructional skills and also learned to facilitate other capacity-building activities.

IDI/OLACEFS Needs Assessment Program

In 2008, IDI and OLACEFS launched a capacity-building needs assessment program in the region. Because of the great interest in this program, it was delivered twice during 2008 and 2009. In June 2009, needs assessment teams from the second group

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 to keep up to date between editions of the *Journal*, look at the IDI website: www.idi.no.

of eight SAIs convened in Ecuador for the Needs Assessment Workshop. Following this workshop, the teams will conduct institutional needs assessments in their SAIs before reconvening to receive feedback on their reports at a review meeting at the end of 2009.

IDI/CAROSAI Quality Assurance Program for Financial Audits

A group of instructors and IDI staff met in Antigua in June 2009 to design and develop an 8-day workshop that will be the next step of the IDI/CAROSAI Quality Assurance Program for Financial Audits. The workshop is to be delivered in 2009.

IDI/OLACEFS Blended Train-the-Trainer Program

IDI staff and regional instructors met in Ecuador in June 2009 to plan for the upcoming blended train-the-trainer program, which is scheduled to be delivered in 2010.

IDI/ARABOSAI Workshop on Facilitation Skills

IDI staff and experts from the region gathered in Syria in June 2009 to design and develop courseware for the IDI/ARABOSAI Workshop on Facilitation Skills, which will be delivered later in 2009.

IDI and Liaison with the INTOSAI Community

IDI representatives have attended and reported at the following events in recent months: AFROSAI-E Governing Board meeting (Zambia), meeting of the INTOSAI Working Group on IT Audit (Qatar), VI OLACEFS/EUROSAI Conference (Venezuela), and the steering committee meeting of the INTOSAI Professional Standards Committee (Brazil).

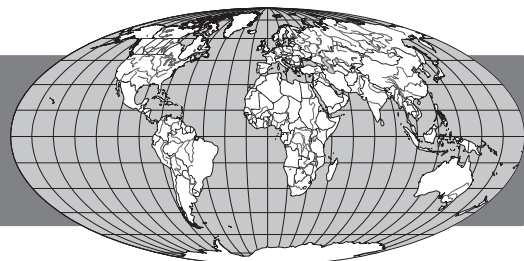
Contacting IDI

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INTOSAI 2009 Events



July	August	September
<p>14-16 Meeting of the Working Group on the Fight against International Money Laundering and Corruption, Jakarta, Indonesia</p> <p>20-24 PASAI Congress, Palau</p>	<p>3-6 8th Meeting of the Working Group on Environmental Auditing Steering Committee, Bali, Indonesia</p>	<p>TBD 1st Meeting of the Committee on Knowledge Sharing and Knowledge Services, Seoul, Korea</p> <p>17-18 Meeting Ad-hoc Group Audit Quality Control, London, England</p>
October	November	December
<p>4-10 XIX General Assembly of OLACEFS, Asunción, Paraguay</p> <p>12-14 XI ASOSAI Assembly, Islamabad, Pakistan</p> <p>12-14 Financial Audit Guidelines Subcommittee meeting, London, England</p> <p>28-29 Professional Standards Committee/EUROSAI ISSAI Awareness-raising Seminar, Warsaw, Poland</p>	<p>16-18 59th INTOSAI Governing Board, Cape Town, South Africa</p>	

TBD = To be determined

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.

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