

**INTOSAI Task Force Global Financial Crisis—Challenges for SAIs**  
**Terms of Reference**  
**June 29, 2009**

**Background:**

The current financial crisis presents many challenges to countries around the world, including to Supreme Audit Institutions (SAIs). It demands even greater efforts by SAIs to help provide accountability and lessons learned for their governments. Although SAIs differ in their legal authorities and mandates, SAIs are generally well positioned to provide independent and objective analysis of these events and can contribute much to efforts to address them. In keeping with these concerns and considerations, the INTOSAI Governing Board established this Task Force at its 58<sup>th</sup> meeting in Vienna in November 2008.

**Purpose:**

This Task Force will seek to enhance the knowledge base of SAIs on financial and economic matters related to the crisis, enhance the exchange of knowledge among SAIs, and thereby help governments and the global community respond to the crisis by being a source of information and experience.

**Draft Goals and Objectives:**

The goals and objectives of the Task Force will be defined in final after input by the membership. These goals and objectives will be realized through various knowledge sharing activities, outreach, and collaboration between members, and will be based on existing audit work conducted by member SAIs.

*Draft Goal 1:* Develop recommendations for SAIs to use in their responsibilities, including advisory activities, to help minimize the impact of future financial crises

*Draft Goal 2:* Develop resources that will be useful to SAIs as they undertake work to address the global financial crisis, various stimulus initiatives, and their impact on national financial and economic systems.

*Draft Goal 3:* Develop tools and methodologies to strengthen SAIs' ability to monitor financial and other regulatory systems developed in response to the global financial crisis both nationally and globally.

*Draft Goal 4:* Build strategic relationships with key international organizations to share information about the financial crisis and develop key indicators for early warning systems of regional and global financial crises.

*Draft Goal 5:* Develop tools and methodologies to strengthen SAIs ability to conduct performance and other audits of macroeconomic measures taken in response to the global financial crisis.

The objectives or topics that the Task Force chooses to pursue will determine the scope of the undertaking. Potential products and Task Force teams could be organized by objectives.

### *Draft Objectives*

#### 1. Lessons learned (e.g., Asia, Mexico, Sweden, U.S.)

- What lessons have SAIs collectively learned from past financial crises?
- How have countries been affected differently by the current crisis and why have some countries been more affected than others?
- What are some of the common problems related to the financial crisis that countries have experienced?

#### 2. Genesis and impact of the current crisis

- What are the principal domestic and foreign factors in governments and economies that have caused and/or influenced the impact of the financial crisis?
- What are the impacts of the current financial crisis upon each country's financial market and economic framework?
- What are the impacts of the current financial crisis upon economic development globally and regionally?

#### 3. Initial government responses to avert or minimize the crisis

### *Fiscal stimulus*

- What measures were taken to stimulate the economy and aggregate demand, and to increase employment opportunities (e.g. tax reduction, tax expenditures, increased spending in infrastructure, increased social safety net)

### *Financial Interventions*

- What financial rescue efforts were undertaken to help:
  - stabilize financial markets and banking systems?
- What have been the effects of these financial rescue efforts?
- What accountability and transparency mechanisms were implemented to govern and supervise these efforts?
- How have governments recorded and tracked these investments/costs?
- How have governments managed debt incurred in this process?
- What is the involvement of national parliaments in financial rescue efforts and how have parliamentary bodies collaborated with other government entities?
- Which approach(es) have and should SAI's use to analyze financial interventions and subsequent supervisory systems?

### *Broader economic interventions*

- What broader economic efforts were undertaken to safeguard:
  - the real economy?
  - the social security or delivery of public goods and services?
  - public spending? (e.g. government investment in public works)

- employment opportunities?
- Small and Medium Enterprises (SMEs)?
- How have governments recorded and tracked these investments/costs?
- How have governments distinguished between initial crisis-response measures and more protectionist or preventative economic measures?

*Regulatory and other changes made to minimize the risk from financial crisis*

- What changes in law and regulations were made to reduce the impact of the financial crisis on the financial condition of the government and the economy?
- What changes in law and regulations were made to inject money into the economy and protect the workforce?
- How have countries applied national or international principles in this process?
- What is the impact of accounting standards on financial statements?
- How should financial institutions improve their risk management and credit practices?
- What are some exit strategies for governments to employ when the crisis is over?

4. Reforms, Transparency, and Accountability

*Reforms to mitigate the impact of another financial crisis*

- What global regulatory reforms are needed in financial supervision and regulation?
- What should be the role of the central banks and other supervisors in this process?
- What criteria and requirements should be defined when using public funds to respond to the crisis?
- What control measures should be used to promote transparency and accountability and ensure the effectiveness of measures taken?
- What level of international cooperation is required to achieve greater global macrofinancial stability?
- Should international institutions be strengthened?

5. Challenges that SAIs face

- What are the factors (e.g., legal mandates, human resources, etc.) that influence SAIs' ability to monitor and oversee the financial regulatory system and /or audit fiscal stimulus packages and other measures taken by governments?
- What has been the impact of the current crisis on SAIs' audit operations, fiscal resources, and legal mandates?
- What are methodologies and tools that can strengthen SAIs' ability to:
  - Monitor and oversee the financial and other regulatory systems?
  - Conduct performance and other audits of measures taken in response to the global crisis?
- What are corresponding audit principles for government auditing?

- What roles have SAIs played in monitoring and overseeing financial markets, banking systems, and financial regulatory systems?
- What should be the role of SAIs in responding to the current crisis?
  - Should SAIs change their audit planning?
  - Should the role of SAIs include auditing stimulus packages?
  - Should SAIs audit foreign investment?
  - Should SAIs make concurrent audits?
- Do SAIs need to change their audit plan to perform this role?
- What information do SAIs have that can affect government exit strategies when the crisis is over?

## 6. International Organizations & Key National Indicators

*Roles of the international organizations (e.g., UN, OECD, World Bank, International Monetary Fund, International Labor Organization (ILO), Bank of International Settlements (BIS), international standards setting bodies)*

- What roles do international organizations have and what roles should they have?
- How do we integrate government auditing into national measures?
- What are adequate international benchmarks?

### **Working Group Activity/Plan:**

#### *Meetings*

- Number of meetings will be kept to a minimum in order to keep costs low. The chair may convene meetings of the Task Force when necessary. Electronic meetings and distribution of materials will be used wherever possible.
- An in-person meeting will be coordinated in the near future.

#### *Subdivide members*

- We will form Task Force member subgroups based on member feedback. Some suggestions include subdividing by language, by type of auditing system, by country situation, by objective, or by financial vs. broader economic issues.

#### *Rules*

- The decisions of the group will be taken collectively based on prior discussion, and will be decided by a simple majority of votes. The Task Force will seek consensus on final products. The working language of the Task Force will be English.

#### *Minutes*

- Secretariat services, including minute taking for meetings, are the responsibility of the chair in coordination with the SAI hosting the meeting. Other Task Force members may volunteer to assume this responsibility with the approval of the chair. Once a meeting is complete the minutes should be forwarded to Task Force members for approval in the working language of the group within 21 calendar days. Task Force members should respond within 21 calendar days of receipt of the minutes.

- Minutes should include the place, date and time of the meeting, attendees, major issues discussed, actions to be taken, and decisions made. The minutes are recorded in the working language of the Task Force and a copy should be forwarded to the General Secretariat and all goal chairs.

**Website:**

- The Task Force will explore establishing its own website with specific information on the terms of reference, the work plan, and Task Force products.

**Reporting:**

*Reports to Governing Board*

- The chair and members of the Task Force may be invited to the annual Governing Board meeting to report on the work of the Task Force.
- Any notable changes to the Task Force terms of reference, changes in membership, etc. will be provided to the Governing Board.
- Any documents presented to the Governing Board as the work of the Task Force will be previously circulated within the Task Force.

*Reports to the Congress*

- The Task Force chair will report to the INCOSAI with the results of its activities to date and expected outcomes and products as feasible.

**Publication and Distribution of Documents:**

*Exposure Drafts and Products*

- Exposure drafts will be sent by post or email to Task Force members (or posted on the Task Force website if one is established) for comments. Task Force members are expected to provide comments to the document originator within 21 calendar days of receiving a draft.
- The Task Force may also circulate draft documents to other Task Forces, working groups, and the Governing Board prior to exposure to the full membership, as appropriate.
- Final products being shared with the entire SAI membership will be translated by the Task Force into the official languages of INTOSAI.
- Before publication, all final products are to be approved by the Task Force members, the Governing Board, and the Congress.
- For products delivered at a congressional or board meeting, the Task Force will consult with the host on method of product delivery. The General Secretariat, Governing Board chair, the IJGA, IDI and other appropriate groups will have access to the Task Force products.

**Membership and Organization:**

- Membership was open to all SAIs and was established by interested SAIs responding to a solicitation from the Acting Comptroller General, USGAO, who is the chair of the Task Force.
- Currently, the membership of the Task Force consists of SAIs in the following countries: Austria, Canada, Chile, China, Cyprus, Denmark, Estonia, Finland, Hungary, Indonesia, Italy, Japan, Korea, Mexico, Morocco, Netherlands, Poland, Russia, Saudi Arabia, Slovakia, Spain, Sweden, the United Kingdom, the United States, and Venezuela.<sup>1</sup> Additional outreach will be extended as necessary.
- The Task Force will determine the appropriate organizational structure after preliminary deliberation.

**Expected Products and Outcomes:**

- The Task Force is expected to exist for a period not to exceed 3 years.
- Task Force members will decide by consensus on expected products and outcomes.
- Examples of products to be considered by the Task Force may include, but not be limited to, archives of SAI work, compilations of best practices and lessons learned, electronic WIKI products, case studies, and training courses.

**Liaison with other committees:**

- This Task Force falls under the Goal 3 of the Knowledge Sharing Committee.
- The Task Force will coordinate with the INTOSAI Public Debt Committee and the Key National Indicators Working Group on intersecting issues.

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<sup>1</sup> Since the June meeting, the European Court of Auditors has agreed to be represented on the task force.