

# International Journal of Government Auditing

April 1999—Vol. 26, No. 2

©1999 *International Journal of Government Auditing, Inc.*

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

The editors invite submissions of articles, special reports, and news items, which should be sent to the editorial offices at U.S. General Accounting Office, Room 7806, 441 G Street, NW, Washington, D.C. 20548, U.S.A. (Phone: 202-512-4707. Facsimile:202-512-4021. E-Mail: <chases@gao.gov>).

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

The *Journal* is distributed to the heads of all Supreme Audit Institutions throughout the world who participate in the work of INTOSAI. Others may subscribe for US\$5 per year. Checks and correspondence for all editions should be mailed to the *Journal's* administration office, P.O. Box 50009, Washington, D.C. 20004, U.S.A.

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

## Contents

- |           |   |
|-----------|---|
| <b>1</b>  | Editorial                                 |
| <b>3</b>  | News in Brief                             |
| <b>8</b>  | Audit Planning                            |
| <b>10</b> | Guidelines for INTOSAI Auditing Standards |
| <b>13</b> | Recognizing Fraud Indicators              |
| <b>15</b> | Audit Profile: Bhutan                     |
| <b>17</b> | Reports in Print                          |
| <b>18</b> | Inside INTOSAI                            |

### Board of Editors

Franz Fiedler, President, Court of Audit, Austria  
L. Denis Desautels, Auditor General, Canada  
Emna Aouij, Premier President, Court of Accounts, Tunisia  
David M. Walker, Comptroller General, United States  
Eduardo Roche Lander, Comptroller General, Venezuela

### President

Linda L. Weeks (U.S.A.)

### Editor

Donald R. Drach (U.S.A.)

### Assistant Editor

Linda J. Sellevaag (U.S.A.)

### Associate Editors

William Woodley (Canada)  
Kiyoshi Okamoto (ASOSAI-Japan)  
Luseane Sikalu (SPASAI-Tonga)  
Michael C.G. Paynter (CAROSAI-Trinidad and Tobago)  
EUROSAI General Secretariat (Spain)  
Khemais Hosni (Tunisia)  
Cristina Rojas Valery (Venezuela)  
INTOSAI General Secretariat (Austria)  
U.S. General Accounting Office (U.S.A.)

### Production/Administration

Sebrina Chase (U.S.A.)

### Finances

U.S. General Accounting Office (U.S.A.)

### Members of the Governing Board of INTOSAI

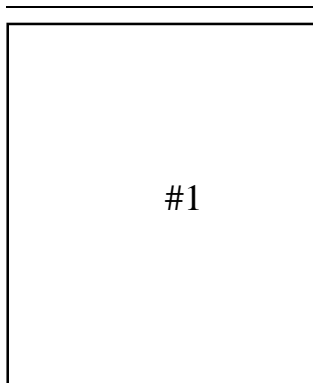
Guillermo Ramirez, President, Court of Accounts, Uruguay, Chairman  
Seung-hun Hahn, Chairman, Board of Audit and Inspection, Korea, First Vice-Chairman  
Tawfik I. Tawfik, State Minister and President, General Audit Bureau, Saudi Arabia, Second Vice-Chairman  
Franz Fiedler, President, Court of Audit, Austria, Secretary General  
Arah Armstrong, Director of Audit, Antigua and Barbuda  
Iram Saraiva, Minister-President, Court of Accounts, Brazil  
Lucy Gwanmesia, Minister Delegate, Cameroon  
L. Denis Desautels, Auditor General, Canada  
Shawky Khater, President, Central Auditing Organization, Egypt  
Hedda Von Wedel, President, Court of Audit, Germany  
V. K. Shunglu, Comptroller and Auditor General, India  
Abdessadeq El Glaoui, President, Court of Accounts, Morocco  
Bjarne Mork Eidem, Auditor General, Norway  
Victor Enrique Caso Lay, Contralor General, Peru  
Alfredo Jose de Sousa, President, Court of Accounts, Portugal  
Pohiva Tui'i'onetoa, Auditor General, Tonga  
David M. Walker, Comptroller General, United States

---

# Shared Values and Future Visions

---

By David M. Walker, Comptroller General of the United States



Mr. David M. Walker

It is indeed a pleasure to have been invited to write this editorial for the *Journal*, and I welcome the opportunity to share some thoughts with colleagues in INTOSAI and the wider international community.

Two days after being sworn in as the seventh Comptroller General of the United States, I traveled to Montevideo to attend the XVI INCOSAI. It was a privilege and pleasure to participate in the technical and business plenary sessions and the 45th Governing Board meeting, and to meet many of my counterparts in informal discussions. The informal discussions were excellent, the results of the Congress were impressive, and I welcomed the opportunity to become involved with INTOSAI so early in my 15-year tenure.

One thing that struck me as I met with colleagues in Montevideo — and since then as I have welcomed many auditors general to the GAO — is how much we have in common. We truly live and work in a global environment, and those of us in national audit offices experience this in our work. Audit issues that previously had a strictly domestic focus now have international implications as well. GAO frequently interacts with our counterparts in other countries to discuss how we are addressing similar issues. It is clear to me that we all gain through active communication with each other and through continuous cooperation to share knowledge and best practices.

In that spirit, which reflects INTOSAI's motto, "*Mutual Experience Benefits All*," I would like to share with colleagues my vision for GAO over the next 15 years.

While GAO's responsibilities and the composition of its workforce have changed significantly over the years, GAO's employees share something important with those who have preceded them. They share an enduring set of core values that

define who they are and what kind of organization they serve. These values have been expressed in varying ways in the past, but they can be captured today in three simple words: accountability, integrity, and reliability. I was pleased to note that INTOSAI's new *Code of Ethics*, adopted in Montevideo, refers to these and other related values as central to an independent, external audit function.

*Accountability* describes the nature of GAO's work. GAO helps the Congress oversee federal programs and operations to assure accountability to the American people. Our evaluators, auditors, lawyers, economists, public policy analysts, information technology specialists and other multidisciplinary professionals seek to continually enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American public. GAO accomplishes its mission through a variety of activities that include financial audits, program reviews, investigations, legal support, and policy/program analyses.

*Integrity* describes the high standards that GAO sets for itself in the conduct of its work. GAO takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all of its activities. Integrity is the foundation of reputation, and GAO's approach to its work assures both.

*Reliability* describes the organization's goals for how its work is viewed by the Congress and the American public. GAO produces high-quality reports, testimony, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

With these three core values as a foundation, I have established three primary goals for GAO. First, I believe that GAO should be an organization that leads by example. In every major operational area, from strategic planning to financial management, information technology, human capital practices, contract management, and client service, GAO should be the federal government's model for best practices. As the agency that reviews others, we must lead by example. Second, I believe that GAO, like its counterpart institutions in other countries, is fundamentally about "good government," and that it should play a major role in helping to continuously improve the economy, efficiency, effectiveness, accountability, and integrity of the federal government. Third, I believe that what citizens think of their government and of their public servants is important, and that one goal of GAO's activities should be to improve the public's respect for and confidence in their government.

In recent months I have begun to initiate a number of actions to achieve these goals. First, I have begun to implement a new strategic planning process whereby we will be taking a broader, thematic look at the issues facing the government and the nation, while employing a multi-disciplinary professional services approach for addressing these issues. I am also taking steps to enhance the organization's interface with our client — the U.S. Congress. We must have clearly defined, transparent and consistent guidelines governing our relationship with the Congress. An important part of this effort is to gauge, through direct contact with Congressional leaders and members, the level of satisfaction with GAO's products and services.

Last, I have instituted a matrix management approach to how GAO does its work — that is, an integrated approach to mission accomplishment, transcending the boundaries among organizational components and functions, so that the capacity of the whole will exceed the sum of its parts. The issues with which the Congress must contend are often multi-dimensional and cross-cutting, and thus GAO's work will be increasingly diverse, complex, and demanding. Matrix management is a key to helping the Congress find integrated solutions to the complex issues facing the nation.

At the same time, we will focus on internal issues that require an in-depth study to determine the best course of action over the long-term before any major changes or new investments are made. The major areas of this effort will

involve strategic investments in human capital (e.g., recruiting, training, performance measurement, rewards systems, and succession planning) and information technology to help GAO employees "work smarter."

In discussions at the XVI INCOSAI, we spoke of the internal and external challenges and opportunities facing our SAIs, and it was heartening to note that SAIs worldwide face similar issues. There are the perennial challenges associated with improving good government, and more immediate unique challenges such as the year 2000 computer problem. In addition, there are a number of emerging issues that face all countries, including aging populations; commitments and contingencies; the globalization of issues such as financial markets and the environment; and, the challenges and opportunities presented by the availability of new information technologies.

I feel fortunate that, as I begin my term, I can build on the strong foundation laid by former Comptrollers General Elmer B. Staats and Charles A. Bowsher and maintained by Acting Comptroller General James F. Hinchman. They have shared with me their observations about the great value they placed in the communication, cooperation, and knowledge-sharing fostered by INTOSAI and its 179 member nations, and I am committed to continuing and enhancing this tradition. In the coming years, I look forward to working with you, through INTOSAI, to build greater accountability, integrity, and reliability in our respective governments. ■

---

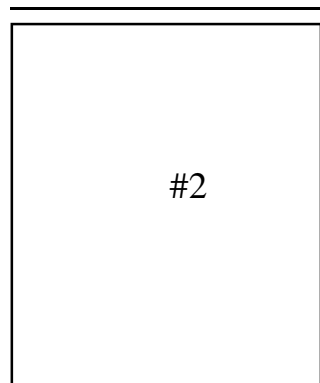
# News in Brief

---

## Cyprus

### New Auditor General

Mrs. Chrystalla Georghadji was appointed by the President of the Republic of Cyprus as Auditor General of the Republic on January 12, 1999. Having studied economics at the University of Athens, she continued her studies, with an emphasis in econometrics, at the University of Southampton in the U.K. After her appointment in 1981 as an economic officer at the Ministry of Finance in Cyprus, she obtained a scholarship from the Fullbright Commission and took her Masters degree in economics from the University of Chicago in the USA.



Mrs. Chrystalla Georghadji

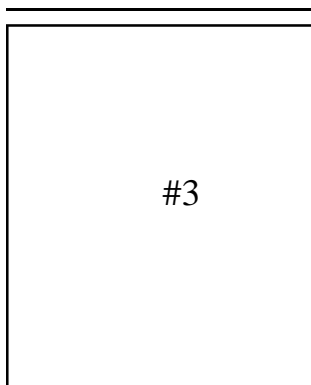
Promoted in 1991 to the post of Senior Economic Officer in the Finance and Investments Division of the Ministry, she was responsible for matters relating to the financial sector, in particular the insurance subsector. In 1995, while maintaining her post at the Ministry, she was appointed as Assistant Superintendent of Insurance and had the responsibility of heading the Service for the Supervision of Insurance Companies in Cyprus. In addition to these duties, Mrs. Georghadji served as the Deputy Chairperson of the Securities and Exchange Commission of Cyprus from 1993-1998.

For more information, contact: Office of the Auditor General, 12 Vyzantiou St., 1406 Nicosia, Cyprus (fax: 357-2-36-81-53).

## Ecuador

### New Comptroller General

Alfredo Corral Borrero has been named Comptroller General of Ecuador. Dr. Corral Borrero received a law degree from the University of Cuenca, his hometown, in 1964. He has held many distinguished legal and academic positions throughout his career. In Cuenca, he served in the Second District Court and was a professor in the Law Faculty of the University of Cuenca. He served as president of the College of Lawyers of Azuay, and was also a professor in the Law Faculties of the Catholic University of Quito and the Central University of Ecuador. His distinguished public service career has also included serving as the Minister of Work and Human Resources, and as a member of the Supreme Court of Ecuador.



Mr. Alfredo Corral Borrero

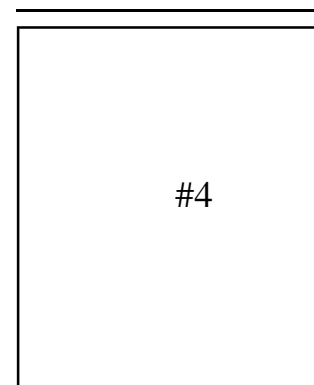
For more information, contact: Contralor General del Estado, Av. Juan Montalvo 256 y 6 de Diciembre, Quito, Ecuador (fax: 593-2-23-03-08).

## Indonesia

### New Chairman of the Audit Board

Satrio Budihardjo Joedono has been appointed Chairman of the Audit Board of the Republic of Indonesia for the period of 1998-2003, replacing Police General (Ret) Koenarto, who had served as Acting Chairman of the Indonesian supreme audit institution.

Dr. Joedono obtained a degree in business economics from the University of Indonesia in 1963, a Master of Public Administration from the University of Pittsburgh in 1966, and a Doctor of Public Administration from the State University of New York at Albany (USA) in 1971.



Dr. Satrio Budihardjo Joedono

He entered government service in the Department of Education and Culture of the Government of Indonesia in 1964 as a teaching assistant in the Faculty of Economics at the University of Indonesia in Jakarta, and was appointed Professor of Organization Theory in the Faculty in 1987. He was Vice Rector for General Administration of the University of Indonesia from February 1982 to April 1986.

After serving at the sub-cabinet level in various ministries such as Trade, Research and Technology, and

Economics, Finance and Industry, he was asked to join the cabinet as Minister of Trade; Dr. Joedono served in that capacity from March 1993 to December 1995. Subsequently, from September 1996 to October 1998, he served as Indonesia's Ambassador to France and Andorra.

The Chairman and Members of the 7-person Board are elected by Parliament, appointed by Presidential Decree, and sworn in by the Chief Justice of the Supreme Court. Other members elected to the Board are Mr. Bambang Triadji (Vice Chairman), Vice Admiral IGde Artjana, Mr. Bambang Wahyudi, Mr. Mukron As'ad, Mr. Sugiarto, and Mr. Amrin Siregar (2<sup>nd</sup> term). For more information, contact: Audit Board, Badan Pemeriksa Keuangan, Gedung Arsip, Lantai IV - J1, Jenderal Gatot, Bubroto No. 31, Jakarta, Indonesia (Fax: 62-21-5760-0607).

## Italy

### New President

Mr. Francesco Sernia was appointed President of the Court of Accounts by the President of the Italian Republic on December 4, 1998, succeeding Guiseppe Carbone who had held that position for many years.

A graduate in law from the University of Naples, Mr. Sernia is an exceptionally experienced magistrate of the Court which he joined in 1959. During the forty years of his distinguished career, his responsibilities have included all of the Court's insitutional functions (audit, reporting and jurisdiction). Before being appointed President, he was a member of the United Chambers, President of the Jurisdictional Chamber of Campania and deputy President of the Court. In addition to his duties at the Court, Mr. Sernia has chaired the board of auditors of major Italian public bodies and of the Western European Union. He was recently appointed auditor of the Western European Union Assembly for the years 1999-2001.

Mr. Sernia is an expert in comparative public law, with many essays published in specialized reviews.

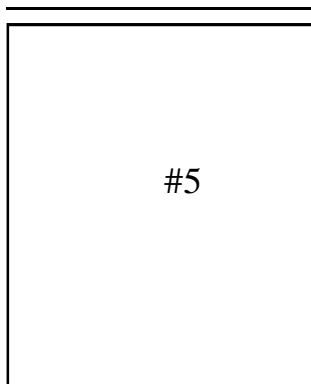
Within the international activities framework he was the rapporteur for the "Lima Declaration of Guidelines on Auditing Precepts" approved during the IX INCOSAI held in Lima in 1977; he has also represented Italy at many international meetings, including the INTOSAI Congress in Montevideo. He speaks English, French, and German, and has a good knowledge of Spanish, Portuguese and Russian.

For further information, please contact: Corte de Conti, International Relations Office, Via Baiamonti 25, 00195 Roma, Italy (tel. 0039 06 38762481 82; Fax 0039 06 32657030).

## Mexico

### New Head of SAI Elected by Legislature

On December 2, 1998, the Chamber of Deputies of Mexico elected Mr. Gregorio Guerrero Pozas to an eight-year term as head of the supreme audit institution of Mexico (Contador Mayor de Hacienda), succeeding Mr. Javier Castillo Ayala.



Dr. Gregorio Guerrero Pozas

After graduating as Certified Public Accountant and working in that profession independently, Mr. Guerrero began a long and distinguished career in the Mexican public sector. His professional experience includes positions as General Treasurer of the Institute for the Social Security and Services for Public Employees, Chief of Staff of the Treasurer of the Federation, Regional Delegate for the Bank of Public Works and Services and, immediately prior to his present position

as head of the Mexican SAI, General Treasurer of the Chamber of Deputies. He has also a wide experience in governmental accounting standards, public accounts, and financial consolidation, having directed the respective areas in the Programming and Budget Secretariat. Mr. Guerrero has occupied various senior financial management posts in the banking, communications, industrial and real estate sectors.

Upon taking office as head of the SAI of Mexico, Mr. Guerrero has expressed a great interest in the work of INTOSAI and the cooperation it fosters among SAIs as a valuable way to share specialized knowledge. In this context he has indicated his commitment to continue supporting the participation of the SAI of Mexico in the activities of our organization, in particular its role as Chairman of the Public Debt Committee and member of the Program Evaluation Working Group.

For more information, contact: Contaduría Mayor de Hacienda, Av. Coyoacan 1501, Col. del Valle, Mexico D.F. 03100, México (e-mail: cmhasesor@mexis.com; fax 525-534-18-91).

## Portugal

### SAI Adopts Audit and Procedures Manual

The Portuguese Court of Auditors recently approved a Manual of Audit and Procedures. The manual adopts internationally accepted general audit principles, with recognition of professional organizations such as the International Federation of Accountants (IFAC) and Federation des Experts Comptables Européens (FEE). Because of the unique nature of the Court as a supreme audit institution, the manual of course follows closely the standards and guidelines issued by the International Organization of Supreme Audit Institutions (INTOSAI) as well as audit manuals published by the European Court of Auditors (ECA).

The manual begins with the analysis of the institutional and legal framework of the Court of Auditors. The second part (General Principles of Audit) addresses

conceptual aspects, and presents concepts and types of audit as well as practical audit methods and techniques.” The third part of the manual is a description of the different types of audits, their general principles, the proceedings, the work stages, and documents to be used in audits carried out by the Portuguese Court of Auditors. The manual also includes a useful glossary of Portuguese terms shared and used by Brazilian and the Portuguese Courts of Auditors in their work.

For more information, contact: Court of Auditors, Avenida Barbosa du Bocage 61, P-1050 Lisboa, Portugal (fax: 351-1-794-0567).

## **Saudi Arabia**

### **Audit Guides and Training Courses**

The General Auditing Bureau (GAB) of the Kingdom of Saudi Arabia has published three instructional guides for new auditors. The first guide discusses the GAB’s purposes, methods, and organizational structure; the second covers auditing expenditures and government accounts; and the third is a reference tool for performance auditing. These guides have been published to emphasize the importance of on-the-job training for newly recruited auditors.

Also in the area of training, the GAB conducted a course on the “Techniques of Selecting and Evaluating Statistical Samples for Auditing” on December 12-18, 1998. The course took place within the framework of the 1998 ARABOSAI Research and Training Plan which was adopted by the ARABOSAI Governing Board at its 23<sup>rd</sup> meeting in Cairo in 1997. The goal of the course was to provide skills in techniques of selecting and using statistical sampling in audits, and covered topics such as: introduction to statistics in financial accounting and economic activities; statistical sampling and auditing; and, case studies in using and evaluating statistical sampling.

Internally, the GAB has developed a number of new training courses on topics such as interviewing techniques, effective planning, auditing methods and

techniques, audit reporting, and evidence rules and audit findings. These courses began in February 1999 at the GAB’s offices in Riyadh and Jeddah.

For more information, contact: General Auditing Bureau, P.O. Box 7185, University Street, Riyadh 11128, Saudi Arabia (Fax: 966-1-403-2057).

## **Seychelles**

### **1997 Annual Report Issued**

The Auditor Generals Report on the 1997 accounts was presented to the National Assembly on 15 December 1998. The Audit Report has two sections dealing respectively with comments on Annual Financial Statements of the government and other public accounts, and observations arising from the audit of ministries and departments. Part 2 also contains a review on use of Information Technology (IT) in the government sector.

For more details, contact: Audit Department, P.O. Box 49, Victoria Seychelles (e-mail: seyaudit@seychelles.net; or Fax: 248 324046).

## **Trinidad and Tobago**

### **Auditor General Issues Annual Report**

In July 1998, the Auditor General of the Republic of Trinidad and Tobago submitted to the Parliament the Annual Report on the Public Accounts for the year ended December 31, 1997.

The Auditor General reported instances of overpayments of salary caused by inaccurate data, abandonment of offices, and deficiencies in communications systems. The report also cited thefts and loss of government property, deficiencies in ministry and department subsidiary records, and instances where expenditures exceeded allocations.

In addition, the report included highlights of a special audit of the Information Division of the Ministry of Public Administration and Information. The audit found that contracts for consultants and contract officers had not been drawn up, payments had been made

to officers whose positions no longer existed, and payments in kind had been received for services to entities other than ministries and departments.

For more information or copies of the report, contact the Auditor General’s Department, P.O. Box 340, Port of Spain, Trinidad and Tobago (Fax: 868-625-53-54).

## **Tunisia**

### **New Auditor General Named**

Ms. Emna Aouij has been named the new Premier President of the Court of Accounts of Tunisia. Ms. Aouij has a law degree from the Faculty of Law of Tunis and a diploma from the National Center of Legal Studies in Paris. In 1968, she became the first woman magistrate in Tunisia and was a councillor of the Court of Appeals.

Ms. Aouij has been active in political and international affairs, and was elected a member of Parliament in 1989 and reelected in 1994. She has also served in the executive office of the Tunisian National Women’s Union, as a member of a United Nations committee to end discrimination against women, and as vice president and North African representative of the Women’s Socialist International. Ms. Aouij has lectured and presented papers at many national and international meetings and is the author of many studies on women’s rights and women’s political education. She was also named Commander of the Order of the Republic.

In assuming this new post, Ms. Aouij also became Secretary General of the Arab Organization of Supreme Audit Institutions (ARABOSAI). For more information, contact: Cour des Comptes, 25 Avenue de la Liberte, B.P. 1002, 1004 Tunis, Tunisia (Fax: 216-1-76-78-68).

## **United States of America**

### **GAO Issues Disclaimer on Government’s 1998 Financial Statements**

In issuing its audit report on the 1998 annual consolidated financial

statements of the United States government in March 1999, GAO painted a bleak picture of the state of federal financial management. For the second year in a row, GAO was unable to express an opinion on the federal government's consolidated financial statements.

"In summary, significant financial systems weaknesses, problems with fundamental recordkeeping and financial reporting, incomplete documentation, and weak internal controls, including computer controls, continue to prevent the government from accurately reporting a significant portion of its assets, liabilities, and costs," GAO said in issuing its disclaimer on the government's fiscal year 1998 financial statements. "These deficiencies significantly impair the federal government's ability to adequately safeguard assets, properly record transactions, and comply with selected provisions of laws and regulations related to financial reporting." The GAO audit (GAO/AIMD-99-130, March 31, 1999), also faulted computer security and tax collection operations, and financial reporting and management systems throughout the government. But, the report noted, the executive branch recognizes the extent and severity of these deficiencies, designating financial management reform as a top management priority. "With a concerted effort, the federal government, as a whole, can continue to make progress toward achieving accountability and generating reliable financial and management information on a regular basis."

Following GAO's 1997 audit disclaimer, the President issued a memorandum requiring agencies with significant financial management deficiencies to develop and implement corrective action plans. Although action is underway to address the pervasive, longstanding problems identified in the audits, "fixing these problems represents a significant challenge because of the size and complexity of the government and the discipline needed to follow sound financial management and reporting practices," GAO said.

Unqualified "clean" opinions are not the end game but the means to achieve timely and reliable data, stronger controls, and better systems, Comptroller General Walker said at a March 31 hearing on GAO's findings before the House of Representatives' Government Reform Subcommittee on Government Management, Information, and Technology. "The pace of improvement will be greatly influenced by the progress government organizations are able to make in modernizing their systems and controls, in revamping human capital practices to build greater capacity, and in implementing change management to achieve the discipline needed to follow sound financial management and reporting practices."

The financial statements were prepared by the Department of the Treasury, in conjunction with the Office of Management and Budget, and include financial information from audited financial statements for 24 major departments and agencies, covering about 94 percent of federal net outlays. GAO's role is to audit and report on the federal government financial statements and report on its internal control and compliance with applicable laws and regulations.

"This is the most important audit report I've ever signed," Mr. Walker said as he put his signature to the GAO opinion letter to the President and congressional leaders. GAO followed the same strategy for conducting this year's review as it did for the first audit: focusing its attention on the Treasury, Department of Defense, Department of Health and Human Services, and the Social Security Administration, which account for the major portion of the amounts reported in the financial statements, and on accounts in other agencies that are material to the statements. For other agencies, GAO relied on audits performed by inspectors general or their contractors, providing guidance and assistance as needed in developing audit plans. The Treasury Department's audit report, Consolidated Financial Statements of the United States Government, Fiscal Year 1998,

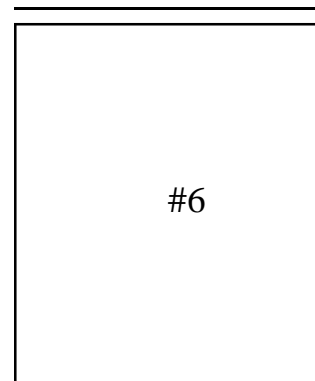
containing GAO's report, has been posted on GAO's web site ([www.gao.gov](http://www.gao.gov)).

For more information, contact: U.S. General Accounting Office, Room 7806, Washington, D. C. 20548 USA (fax: 202-512-4021; e-mail: [oil@gao.gov](mailto:oil@gao.gov)).

## European Union

### Court of Auditors Elects New President

On January 14, 1999, the fifteen Members of the European Court of Auditors elected their new President. The successor to Mr. Bernhard Friedmann, the German Member of the Court, is Mr. Jan O. Karlsson, Swedish Member of the Court. Mr. Karlsson was appointed a Member of the European Court of Auditors in 1995, and has been responsible for the audit sector, "Cooperation with developing countries and non-Member States."



Mr. Jan O. Karlsson

Prior to his nomination to the Court, Mr. Karlsson was Director General of the Ministry of Foreign Affairs in Sweden, and Negotiator and Adviser on economic, financial and budgetary matters to the Secretariat of the Social Democratic Group in the Swedish Parliament from 1992 to 1994. From 1990 to 1991, Mr. Karlsson was Adviser and Coordinator at the Prime Minister's Office and was also appointed Personal Representative of the Prime Minister in project to reappraise cooperation between the Nordic countries in anticipation of Sweden's accession to the European Economic Area and to the

European Union (EU). From 1988 to 1990, he was Chairman of the Committee on Large Towns in Sweden and from 1982 to 1988, he was Secretary of State responsible for cooperation between Scandinavian countries and Secretary of State at the Ministry of Finance.

From 1977 to 1982, Mr. Karlsson was Assistant Secretary to the Presidium of the Nordic Council and, from 1973 to 1977, he served as Secretary to the Member of the Town Council responsible for the finances of the city of Stockholm. From 1968 to 1973, he was policy adviser to the Prime Minister's Office; prior to that he was the first Assistant Secretary and later Secretary at the Ministry of Agriculture. In parallel with his professional activities, he has held various positions on the boards of public bodies of a financial, commercial, cultural and social nature. He is a graduate of the University of Stockholm.

The role of the President of the European Court of Auditors is that of a *primus inter pares* and he ensures that the various departments of the Court operate smoothly and that the institution discharges its duties correctly. He is also the institution's representative in its external relations, especially with the EU's other institutions and with supreme audit institutions. The European Court of Auditors is organized and functions in accordance with the principle of collective responsibility of 15 Members,

who are appointed by the Council of the European Union, acting unanimously after consulting the European Parliament.

For further information, contact: Department for External Relations of the European Court of Auditors, 12 rue Alcide de Gasperi, L-1615 Luxembourg (Tel. 43-98-45-229 or 43-98-45-314; Fax: 43-98-46-430; E-mail: [euraud@eca.eu.int](mailto:euraud@eca.eu.int)). Details on the European Court of Auditors, its publications, organization and its work in general are also available on the Court's Internet site: <http://www.eca.eu.int>.

## Cooperation Committee of Portuguese-Speaking Countries

### Group Meets in Lisbon

In June 1998, the Portuguese Court of Accounts hosted a meeting in Lisbon of the presidents and other representatives of the Joint Cooperation Committee of the Courts of Accounts of Portuguese-Language Countries. Participants included members of the Implementing Committee of the Court of Accounts of Angola and the supreme audit institutions of Brazil, Mozambique, and Sao Tome and Principe. In addition, members of the SAI of Macao participated as observers.

The Lisbon meeting served as a major forum to discuss issues relating

to furthering cooperation among the seven member SAIs. Participants debated the text of the preliminary draft Statutes of the organization that had been submitted at its third meeting in October 1997 in Maputo, Mozambique. Revisions from the member institutions had been incorporated prior to the meeting, and several additions were made at the meeting. The Court of Accounts of Portugal was appointed to draft the final statute and submit it at the 1999 meeting.

On the subject of installing the Court of Accounts of Angola, it was decided that the presidents of the Courts of Accounts of Portugal and Brazil and the Secretary-General of the Joint Cooperation Committee will go to Angola to ensure the installation of this court. Members were also updated on the activities of the Center for Studies and Training at the Court of Accounts of Portugal and of the General Secretariat of the Joint Cooperation Committee. In addition, participants discussed actions taken since their 1997 meeting and concluded that technical exchanges were developing satisfactorily. The 1999 meeting will be held in Sao Tome and Principe, and the 2000 meeting is scheduled to be held in Brazil.

For more information, contact: Secretary General, c/o Federal Court of Accounts, Setor de Administracao Fed. Sul Lote 01, 70042-900 Brasilia DF, Brasil. ■



---

# Audit Planning—Top Down or Bottom Up?

---

By G. Peter Wilson, Inspector-General, Food and Agriculture Organization

Countless articles and books have been written on variations of the theme “top down or bottom up planning”. This is yet another, but with the focus on audit planning in general, with particular emphasis on public sector audit planning. Although the reference point is that of internal audit in an international agency, the concept is equally applicable in national government departments and agencies, and probably in the private sector as well.

With this vantage point, the answer to the question in the title is a resounding “Both”!

At the Food and Agriculture Organization of the United Nations (FAO), audit planning is a high priority in the management of the Office of the Inspector-General. It is viewed as much more than applying the usual planning techniques incorporating risk analysis, assignment rotation and so forth. A major focus is on matching the audit plan to the current priorities of the Organization, and how the Office fulfills its mandate through careful planning, thus ensuring that audit work is based on priorities developed within the Organization and ultimately approved by the Governing Body.

## The Mandate of the Office of the Inspector-General

The Regulations, Rules and Policies of the Organization provide a broad mandate for the Office of the Inspector-General. The function is described as “an independent appraisal activity within the Organization for the review of accounting, financial and other operations as a basis for service to management.” The principal responsibilities are to encompass, *inter alia*, the review and evaluation of the soundness and adequacy of systems, procedures and internal controls; the safeguard and accountability of assets, the compliance with policies, rules and regulations, and practices, both at Headquarters in Rome and the regional, sub-regional, and the 75 field locations around the world.

The Office of the Inspector-General is located in the Office of the Director-General, and the Inspector-General reports directly to the Director-General. The Office determines its own audit priorities while providing for any special assignments or investigations from the Director-General or senior management for audit assistance or advice on specific issues. Accordingly the audit plan, prepared independently by the Office, is submitted to the Director-General on a biennial basis for his endorsement.

Recognizing the importance of modern auditing techniques in discharging its professional responsibilities, and in keeping with the other UN agencies, the Office has adopted the International Internal Auditing Standards promulgated by the Institute of Internal Auditors. One of the fundamental responsibilities of internal auditing is to examine and evaluate the activities within the organization as a service to the organization. It is also the objective of internal auditing to assist members of the organization in the effective discharge of their responsibilities, and the scope of internal auditing should encompass the examination and evaluation of the adequacy and effectiveness of the organization’s system of internal control and the quality of performance in carrying out assigned responsibilities. These principles are all reflected in the mandate of the Office of the Inspector-General at FAO.

The biennial audit plan is the fundamental mechanism whereby the audit function fulfills its mandate and serves the Director-General and other members of the Organization.

## The Top-Down Vision

The FAO audit plan reflects a top-down vision of the overall program and management objectives and recognizes the importance of a global perception of organizational priorities. Converting these organizational priorities into audit priorities and channeling scarce audit resources to where they serve top management’s needs as reflected by the Governing Bodies is the planning challenge for internal audit.

The objectives, functions and priorities of the Organization are set out broadly in the preamble to its Constitution, expanded on in a medium-term plan covering six years, and more specifically in a biennial program of work and budget. The supreme Governing Body, the Conference of the FAO, meets every two years and approves the overall objectives, plans and budgets for the Organization. Before reaching the Conference, these aspects receive a thorough review from the initial stage of development within the FAO Secretariat, to the presentation by the Director-General in the more frequent meetings of the program and the finance committees and the FAO Council. The program of work and budget defines all the “major programs” and their broad objectives, strategic considerations and priorities. For example “forestry” is a major program and a priority is “to ensure full complementarity between conservation and development”. It also describes the activities in which the Organization will be involved in the next biennium within the context of the “programs” (e.g. “development and management of forests”) down to the level of program elements (e.g. “forest resources assessment”).

Other programming and planning documents are produced throughout the life of both the medium-term plan and the program of work and budget. The Organization's programs may be conceived, defined, refined and proposed for adoption or ratification by the Conference, in a number of substantive or thematic committees, *ad hoc* conferences, meetings, seminars and other bodies. Thus a variety of programming and planning documents is continuously produced which, together with the medium-term plan and the program of work and budget, contribute to the establishment of overall programming objectives and priorities.

The Office of the Inspector-General keeps abreast of the development of policy directions in many ways. The medium-term plan and the program of work and budget are followed in the early stages of preparation and studied in depth when endorsed by the Conference. Other programming and planning documents of the Conference and of the other bodies are also reviewed and studied carefully by the senior staff in the office. The Inspector-General participates in many of the Conference and Council sessions as well as those of the program and finance committees. He also attends various regular or *ad hoc* senior management meetings where the focus is on implementation of the Organization's policies and programs. Information gathered from all these sources is communicated to the senior audit staff and, in turn, spread throughout the Office by way of regular staff meetings, circulation of the various planning documents, and informal briefings. This layer of information is the base on which the audit plan is built.

By closely following these programming and planning activities, the office gains an awareness of the general policy orientation, program priorities and overall objectives stemming from the documentation and pronouncements of the Governing Bodies and their Committees. This top-down vision of the FAO programs allows the Office of the Inspector-General to develop audit priorities which reflect the Organization's program priorities.

## The Bottom-Up Approach

Armed with this overview, the Office of the Inspector-General follows a bottom-up process by which input to the plan is developed by the leaders of the three main audit groups: headquarters audits, field audits, and management and advisory services. From the major organizational planning documents (particularly the medium-term plan and the program of work and budget), the group leaders have an understanding of the organizational priorities. They assess these priorities against the overall internal audit mandate, prior periods' audit plans,

results of previous audits and their own perception of audit priorities in the particular areas under their responsibility. After consideration of the compatibility with overall audit objectives and available resources, a draft section of the overall audit plan is prepared for consolidation purposes. At this juncture the normal planning techniques are brought into play. These include risk analysis, rotation of audit emphasis, assignment scheduling and time budgeting. The group plans are then consolidated to form an overall audit plan to match against the framework of organizational priorities. An example of this process would be the increased emphasis on field audits following the decisions made to decentralize technical and administrative functions.

Another organizational priority was the restructuring of certain administrative functions involving the enlarged scope of management support units and the streamlining of administrative procedures. In the substantive or technical support areas, the increased emphasis on nutrition issues, forestry and fisheries activities, the special relief operations, and the enhancement of the central and peripheral libraries, are other examples of organization priorities which were clearly reflected in the overall audit plan for the Office of the Inspector-General.

The preparation of the audit plan is designed to follow the timing of the Organization's program of work and budget. It is approved in principle by the Inspector-General in the third quarter of the year preceding the relevant biennium. It is subsequently confirmed by reference to the decisions of the Conference, and ultimately presented for endorsement by the Director-General prior to the new biennium.

## Conclusion

By stressing the importance of auditing in accordance with the Organization's priorities, the Office of the Inspector-General is convinced that it is better serving the needs of top management. At the same time, it is responding to the overall direction set for the Organization by its Governing Body and subsidiary organs composed of representatives of its Member States. In addition, the staff of the office have the satisfaction and sense of accomplishment of working in an environment based on the fundamental principles of the Organization. Clearly this would not be possible without a fusion of the top down and bottom up approaches to planning.

For more information, contact the author at: Office of the Inspector-General, B-424, Food and Agriculture Organization, Viale delle Terme di Caracalla, 00100 Rome, Italy (e-mail: <Peter.Wilson@fao.org>). ■

---

# European Group Publishes Implementing Guidelines for INTOSAI Auditing Standards

---

By the European Court of Auditors

The European Court of Auditors' (ECA) Contact Committee of the Heads of the SAIs of the European Union (EU) established an *ad hoc* Working Group in 1991 on auditing standards. Recognizing that the INTOSAI Auditing Standards provide a common methodological thread which runs through the rich diversity of public audit traditions in EU member states, the Group sought to build upon this common thread by drawing up a series of 15 guidelines that describe how the INTOSAI Auditing Standards may be applied in the context of an audit of EU activities. The Group's work focused on methodological aspects of audits in which the SAIs of the EU countries concerned have a joint or common interest.

The Group's final product has been completed, and on May 8, 1998, presented to Mr. G. Carbone, the then-President of Italian Court of Accounts in his capacity as dean of the Contact Committee. The document, which comprises 15 "European Implementing Guidelines for the INTOSAI Auditing Standards," had been finalized by the working group during its final meeting in Rome held earlier that day.

Mr. Carbone noted that he particularly welcomed the completion of the work by the Group because his own office intends to use the European guidelines as a central element in revising and modernizing its audit approach. Given the Italian State's long tradition of taking an essentially jurisdictional approach to audit matters, modernization has been a significant theme of Mr. Carbone's Presidency of the Court of Accounts, and in the future increasingly greater emphasis will be placed on performance audits.

The *ad hoc* Group initially comprised representatives of the Danish, Italian and Dutch SAIs, with the UK and Swedish SAIs joining the group in 1994 and 1996 respectively. The Group was chaired by the European Court of Auditors.

In its work, the Group sought to develop guidelines in all major areas of the audit process. Thus the INTOSAI standard on "evidence" has been developed by introducing four guidelines: "audit evidence and approach;" "audit sampling;" "using the work of other auditors and experts;" and, "other



#7

Mr. G. Carbone, President of the Court of Accounts, receives the first copy of the "European Implementing Guidelines for the INTOSAI Auditing Standards" from the Chairman of the Working Group, Mr. Schmidt-Gerritzen of the European Court of Auditors, as other members of the Group look on.

information in documents containing audited financial statements.” Furthermore, when developing its Guidelines, the Group also took account of the International Federation of Accountants’ (IFAC) International Standards on Auditing.

While the Group’s initial task was to provide a common methodology for joint or coordinated audits carried out by the supreme audit institutions of EU member states<sup>1</sup>, the Group was pleased to note that its Guidelines have also proved useful to individual SAIs as they conduct fundamental reviews of their own audit methods, e.g. in response to new national legislation. Other potential uses of the Guidelines are described in this article.

The full set of 15 “European Implementing Guidelines are organized into five groups:

- Group 1 - three guidelines concerning preparing audits;
- Group 2 - six guidelines concerning obtaining audit evidence;
- Group 3 - two guidelines concerning completing audits;
- Group 4 - one guideline concerning performance audits, and,
- Group 5 – three guidelines dealing with other matters.

During the course of its work, the *ad hoc* Group received comments and support from the heads and liaison officers of the EU supreme audit institutions and from auditing staff within many of these organizations, particularly from the staff of the SAIs represented within the Group itself.

The guidelines were originally drawn up in English, the group’s working language, and have since been translated into all of the other official EU languages (Danish, Dutch, Finnish, French, German, Italian, Portuguese, Spanish and Swedish).

## A Common Methodological Base

While the guidelines are more detailed than the INTOSAI Auditing Standards, they still do not constitute detailed working procedures for individual auditors, as the *ad hoc* Group considers that each SAI must decide the details of its own procedures in the light of national circumstances, traditions and legislation. The guidelines do, however, represent a common base that can be referred to and adopted by EU SAIs, if they so wish, within the context of their respective auditing methods and during audits of EU activities, whether undertaken independently at national level, jointly, or in coordination with other SAIs at international level.

Some of the EU Member States’ SAIs have adopted audit approaches that are based more closely or more explicitly on national auditing standards than on the INTOSAI Standards. These national auditing standards are, in turn, often closely related to the International Standards on Auditing issued by the International Federation of Accountants (IFAC). During the course of its work, the *ad hoc* Group took note of a comparative study of the INTOSAI and IFAC standards carried out by the ECA. The comparison revealed that, while the two sets of standards differ in terms of their levels of detail and terminology, their differences have no material impact on the underlying audit methodologies. The *ad hoc* Group thus takes the view that the European Implementing Guidelines can be used by all EU SAIs.

## A European Union Dimension

When preparing the Guidelines, the Group sought in particular to develop a “European Union dimension”. On occasions, when a particular European aspect might affect the way in which an individual auditor carries out his or her work, it is actually mentioned in the specific guideline. For example, the guideline on “irregularities” contains a summary of relevant EU legislation.

The Group is of the opinion, however, that the Guidelines’ principal European Union dimension lies in the fact that they set out a common technical base that all EU SAIs can adopt, if they so wish, within the framework of their respective auditing methods. In other words, the *ad hoc* Group considers that the most significant European Union dimension stems from the general acceptability of the Guidelines to each of the seven SAIs that took part in the Group’s work and the fact that, as a whole, they broadly represent the main features of all the public auditing traditions and organizational structures that exist within the EU.

## A Wider Role for the Guidelines?

The basic work of drafting the 15 guidelines was spread over seven years, a further year being needed to make final editorial changes and prepare for publication of the complete set. Neither Europe nor the rest of the world stood still during that time; many developments took place that will affect public sector auditing and the environment in which it is carried out within the European Union. Perhaps the most significant of those developments are the steps that have been taken towards enlarging the EU and, in particular, the preparations for membership in the Central and Eastern European countries (CEECs) and the Commonwealth of Independent States (CIS). The *ad hoc* Group was pleased to learn that its Guidelines, when still in draft form, had been forwarded to the SAIs of these countries, and it was very satisfied at receiving positive feedback from some of these bodies. The Group believes that the guidelines could play a very useful additional role — unforeseen in 1991 when it began its work — in helping the SAIs of these countries prepare for EU membership, and hopes that its work will contribute considerably in this area.

The impact of the Guidelines has been felt beyond the borders of Europe. The Group understands, for example, that certain guidelines have been used outside Europe, in particular as a tool for training auditors in at least one South American country. It is just possible, therefore, that the Guidelines will play a greater role than that originally envisaged for them.

Requests for a copy of the guidelines should be addressed to the External Relations Department, European Court of Auditors, 12, Rue Alcide De Gasperi, L-1615 Luxembourg. Fax No (352) 43 98-46 430, E-mail: [euraudit@eca.eu.int](mailto:euraudit@eca.eu.int). Please specify the language in which you wish to receive the guidelines. Alternatively, the English language version can be consulted on the Internet at the European Court of Auditors' web-site on [www.eca.eu.int](http://www.eca.eu.int). ■

---

# Recognizing Fraud Indicators

---

By Donald G. Fulwider, Deputy Director, Office of Special Investigations, U.S. General Accounting Office

When INTOSAI membership chose “Preventing and Detecting Fraud and Corruption” as Theme I for XVI INCOSAI, it acknowledged the worldwide, corrosive presence of fraud and corruption and the need for SAIs to become more active in helping create a climate wherein these destructive phenomena cannot easily flourish. Austria, in Subtheme 1A, focused on the role of the SAI in preventing and detecting fraud and corruption, and the United States, in Subtheme 1B, discussed methods and techniques used in preventing and detecting fraud and corruption. The purpose of this article is to provide SAIs with more detailed information on how to recognize fraud.

Fraud is defined as a type of illegal act in which the perpetrator obtains something of value through willful misrepresentation. Fraud usually occurs within the context of legitimate business transactions and is carried out in such a manner that legitimate business unwittingly conceals it. Specific indicators of fraud are generally difficult to identify; however, generic indicators or “red flags” (warning signals) are almost always present, and auditors must rely on understanding of how fraud is committed to successfully recognize these indicators. Both transactions that may be fraudulent and circumstances that may appear legitimate must be viewed through a lens of auditor skepticism.

As we noted in the subtheme 1B principal paper for XVI INCOSAI, the potential for committing fraud is greater when one or more of the following three elements exist: perceived need, opportunity, and rationalization. The motivation for most fraud is financial in nature and is fueled by the perceived needs or desires of the individual committing the fraud. The opportunity to commit fraud must exist, and weak internal controls provide such an environment. Individuals responsible for fraud rationalize their fraud: “The government is so big that what I take will never be missed.” or “They owe me.” Therefore, when conducting audits, the auditor should be on the watch for these elements as he/she looks for indicators of fraud based on a set of signs, signals, and patterns, which may be encountered during the audit.

Examples of these signs, signals, and patterns include the following:

- **Weak management.** Failure to enforce existing controls, inadequate oversight of the control process, and failures to act on fraud are signs of weak management.

- **Loose internal controls.** Inadequate separation of duties involving cash management, inventory, purchasing/contracting, and payment systems allow the perpetrator to commit fraud.
- **History of impropriety.** Past audits and investigations with findings of questionable or criminal activity are very useful as roadmaps of where to look for current activity.
- **Unethical leadership.** Executives who do not follow the rules and focus on personal achievement and not organization goals may be involved in fraudulent activity.
- **Promise of gain with little likelihood of being caught.** When a perpetrator works in an environment of weak management, loose internal controls, and high-volume transactions, he/she has ample opportunity to exploit the situation for personal benefit.
- **Unexplained decisions and/or transactions.** Transactions that are out of the ordinary and are not satisfactorily explained, for example, unexplained adjustments in inventory and accounts receivables, are often signs of fraudulent activity.
- **Failure to follow legal or technical advice.** Unexplained deviation from legal and/or technical advice, particularly when concurrence is required, may be evidence of fraud.
- **Missing or altered documents.** Sometimes the perpetrator includes misinformation and false data entries in records that are obvious; however, the perpetrator makes no attempt to conceal the changes. Indicators include providing information late without explanation, concealing unfavorable information, never creating required documentation, creating documentation after the fact, and destroying documents.

To understand and identify information that may suggest fraud, the auditor should be aware that fraud is most likely to fall within six categories of criminal violations: theft, embezzlement, fictitious transactions, kickbacks, bribery and extortion, and conflict of interest. In any of these, fraud may occur.

- **Theft** involves property, facilities, services, and time.
- **Embezzlement** involves money, positions of trust, and a trusted employee. The funds embezzled can be from receipts or disbursements or from fictitious transactions involving funds over which the embezzler has custody and control. Embezzlement generally results from a breakdown of internal controls, i.e., no separation of duties.
- **Fictitious transactions** usually involve a single party. False records or transactions are perhaps the most sophisticated of schemes.
- **Kickbacks** may be offered by a vendor or solicited by a contractor or government buyer. Moneys are paid from government funds. Inflated invoices and subsequent payments generate kickback proceeds and are used to secure government or contractor business or steer business to a particular contractor.
- **Bribery and extortion** occur when an offer is made and accepted in return for abuse of position; i.e. a government official accepts something of value in return for sensitive information or in return for a

favorable decision. A government official demands money in return for a favorable and expedited decision.

- **Conflict of interest** is present when a government official participates in approving or deciding a matter in which he or she, or a relative, has a financial interest in that matter.

This article closes by echoing some of the recommendations made during XVI INCOSAI in relationship to fraud and corruption. The SAI can arm itself for the battle against fraud by: focusing audit strategy more on areas and operations prone to fraud and corruption; developing effective high risk indicators for fraud; intensifying the exchange of experiences and information on fraud and corruption with other SAIs; raising fraud awareness through training and by developing guidance and methods for the identification of fraud indicators; and, very importantly, continuing work regarding fraud and corruption through INTOSAI's committees and working groups.

For more information, contact the author at: Office of Special Investigations, U. S. General Accounting Office, Washington, D.C. 20548 USA (e-mail: <fulwiderd.osi@gao.gov>; fax: 202-512-4021). ■

---

# Audit Profile: Royal Audit Authority of Bhutan

---

Prem Mani Pradhan, Deputy Chief Auditor, Royal Audit Authority, Thimphu Bhutan

## Historical Background

The history of auditing in Bhutan can be traced back to the early 1960s, when it was conducted by His Majesty the late King personally. With the commencement of the First Five Year Plan in 1961, His Majesty became heavily involved in developmental activities. In addition, the volume of transactions increased dramatically, which led to the need for establishing an audit office. The 31st session of the National Assembly, in October 1969, passed a resolution establishing the audit office and consequently, under a Royal Decree in July 1970, the Royal Audit Department was established. In April 1985, the Royal Audit Department was restructured as an autonomous agency and renamed as the Royal Audit Authority (RAA). The RAA is a member of INTOSAI.

## Organization and Size

The Auditor General is the head of the RAA. He is appointed and removed only upon command of the King. In the execution of his duties and functions, he is assisted by the assistant auditor generals who are division heads. The RAA is organized into nine functional divisions with a regional office at Samdrupjongkha to cover the eastern region.

## Mission and Audit Mandate

The mission of RAA is to conduct timely audits of all agencies under its jurisdiction, and to provide reliable and useful information to decision makers in the government. Primarily, the mission is directed toward enhancing government accountability, which comprises:

- accountability of agency heads and administrators to higher levels of government;
- accountability for economical and efficient uses of scarce resources in government operations; and,
- accountability for program results or the effectiveness of operations for the ultimate attainment of goals set by the government.

The RAA derives its audit mandates from the 1988 Financial Manual and the 1989 General Auditing Rules and Regulations. The duties, powers, functions and responsibilities of the Auditor General are enumerated in the 1974 Financial Manual, that was revised in 1988. The RAA is mandated to carry out:

- financial attest audits;
- compliance to rules audits;
- special investigations; and,
- performance audits and/or any other types of audit as may be proper.

The audit of each agency is required to be carried out annually but not later than two years from the previous audit. To achieve this work, the RAA has 120 employees of which 20 are administrative support staff.

## Audit Scope

The RAA is empowered to audit all accounts pertaining to the revenue and receipts (domestic or external in the form of foreign aid) as well as the expenditures incurred by various agencies of the Royal Government. The RAA is further empowered with the physical verification of cash and stores of various agencies of the government.

The RAA examines, audits and settles in accordance with laws, rules and regulations, all accounts pertaining to the revenue and receipts of and expenditures or uses of funds and property, owned or held in trust by or pertaining to:

- government or any of its instrumentalities;
- government owned and/or controlled corporations, financial institutions and their subsidiaries;
- non-government entities subsidized by the government, funded by donations or grants through the government or those for which the government has put counterpart funds or those partly funded by government and those whose loans are approved and/or guaranteed by the government; and, any other organization upon command of the King.

The RAA has full access to all records at any point of time.

## Reporting

The RAA issues two types of reports, the individual audit report of the agency audited and the annual audit report. The individual audit reports contain audit findings and recommendations and are forwarded to the audited agency and



to the administrative heads of the ministry concerned. Follow-up on the implementation of audit recommendations is done by a review section within each division of the RAA, as well as by audit teams in subsequent audits.

The Annual Audit Report incorporates the highlights of the financial conditions and operations of the government as well as significant audit findings from individual audit reports issued during that year. The annual report, along with audit recommendations for improving financial management system in the Royal Government, are submitted to the King and the National Assembly.

## Future Prospects

The RAA has, in recent years, tried to reorganize its audit processes and methodologies to keep abreast of the ever changing auditing environment. Some of the challenges the SAI has been trying to address include:

- professionalizing the institution through continued human resource development;
- expanding the traditional financial audit to include value-for-money (VFM) auditing;
- auditing in an EDP environment as more audit entities are shifting to EDP systems; and,

- installing an internal network and creating a database.

## Conclusion

The RAA, in order to achieve its mission and to carry out its mandates, needs a mix of professional and subject matter experts in various disciplines like accounting, auditing, management and information technology. With the present policy of continuous human resource development through in-country training and training abroad (at such organizations as the Chartered Association of Certified Accountants, Cost Institute of Management Accountants, Association of Accounting Technicians, Chartered Institute of Public Finance and Auditing in the United Kingdom; the International Auditor Fellowship Program in the United States; the Canadian Comprehensive Auditing Foundation Fellowship Program in Canada; the Indian Accounts and Audit Service and C&AG Office in India; and, computer training at the Asian Institute of Technology Bangkok) the RAA should be able to meet the challenges in the 21st century.

For more information, contact: Auditor General, Royal Audit Authority, Thimphu, BHUTAN, Telephone: 975-2-22388, Fax: 975-2-23491. ■

---

The Canadian Comprehensive Auditing Foundation (CCAF) recently issued a *CCAF Lexicon* presenting in English, French and Spanish the specialized terminology related to comprehensive auditing, accountability and governance. The *Lexicon* presents the meanings of key words and concepts used in CCAF publications and serves as a useful companion tool for those using other CCAF documents.

The CCAF also published a Spanish language version of its basic text on *Accountability, Performance Reporting, Comprehensive Audit: An Integrated Perspective (Rendicion de Cuentas, Informe de Rendimiento, Auditoria Comprensiva - Una Perspectiva Integrada)* which brings together current principles of comprehensive auditing and deals with concepts and practices in accountability and performance reporting. Copies of the publications may be ordered by writing to: **CCAF-FCVI Inc., 55 Murray Street - Suite 210, Ottawa, Ontario, K1N 5M3 CANADA; facsimile: ++(613)241-6900, e-mail: info@ccaf-fevi.com.**

\*\*\*\*\*

In May 1993, the ASOSAI Governing Board launched the Fourth ASOSAI Research Project, and the resulting publication, *Government Revenues - Accountability and Audit*, is now available. The research team (Mr. P.K. Lahiri, Deputy Comptroller and Auditor General of India, Mr. Ab. Rahman Mohammed, Deputy Auditor General of Malaysia, and Mr. Tony Minchin, Executive Director, Australian National Audit Office) brings together the revenue audit experiences of 25 ASOSAI member countries. Through detailed country papers it explores the structure of tax and non-tax revenues, summarizes data about revenue sources, discusses the role of revenue audit and relevant audit methodology, and highlights issues related to information technology, reporting, and human resource management. Copies of the book, available in English only, can be obtained at a cost of US\$25 from the **ASOSAI Secretariat, c/o Board of Audit, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8941, JAPAN; facsimile: ++ 81-3-3592-1807; email: asosai@ca.mbn.or.jp.**

\*\*\*\*\*

Increasingly governments rely on computer-based information systems to carry out agency programs, manage federal resources, and report program costs and benefits. The U. S. General Accounting Office has issued a manual to provide guidance to auditors evaluating internal controls over the integrity, confidentiality, and availability of data maintained in these systems. Designed for information systems auditors and financial auditors who have the necessary knowledge, skills and abilities to perform audit procedures in a computer based environment, this manual discusses the control objectives that auditors should consider when assessing computer-related

commonly used at federal agencies along with suggested audit procedures. A copy of the *Financial Information System Controls Audit Manual, AIMD-12.19.6* (available at no cost in English only) can be obtained by writing to the **U.S. General Accounting Office, 441 G Street NW - Room 7806, Washington, DC 20548, USA, facsimile: ++202-512-4021; email: oil@gao.gov.** An electronic version of this manual is available through GAO's homepage: <http://www.gao.gov>.

\*\*\*\*\*

Humberto Petrei, an executive director with the Inter-American Development Bank, completed an analysis of public budget institutions and budgetary control agencies in seven industrialized nations and six Latin American countries in order to identify potential areas for institutional reform. The case studies and comparisons include assessments of best practices and lead to guidelines for regional reforms. The book is set out in four parts: a review of the theory of how budgets are formulated and used; descriptions of budget and control practices in the United States, Canada, the United Kingdom, Sweden, Australia, New Zealand, and Spain; an examination of these practices in Argentina, Brazil, Chile, Colombia, Mexico and Venezuela; and, comparisons of the experiences of the two groups which lead to possible reform strategies. For more information about ordering *Copies of Budget and Control: Reforming the Public Sector in Latin America* (ISBN:1886938415), which is available in English or Spanish at a cost of US\$24.95, contact the **Inter-American Development Bank, Publications Department, 1300 New York Avenue NW, Washington, D.C. 20577, USA;** or obtain additional ordering information through their homepage: <http://www.iadb.org>.

\*\*\*\*\*

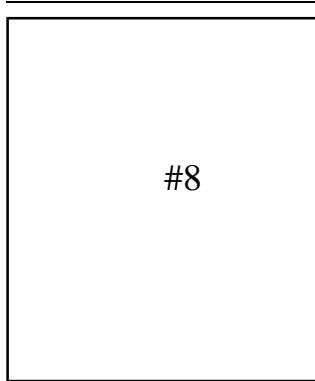
One of the goals of the International Consortium on Governmental Financial Management (ICGFM) is to foster the exchange of information and ideas by serving as a clearinghouse of information and by publishing research. Towards this end, the Fall 1998 issue of the *Public Fund Digest* presents several articles on the topic of corruption and related aspects of ethics and transparency, initiatives to transform and reform management systems, and efforts to build better public administration and government accountability. A second publication, The Winter 1998 *Research Supplement to the Public Fund Digest* includes discussions on taxes and investments, accounting for aid-in-kind, U.N. reporting standards, public sector corruption in Bolivia, and government accountability in the U.S. Copies of the ICGFM publications are available in English for US\$15 from the **ICGFM, P.O.Box 8665, Silver Spring, MD 20907, USA; facsimile: ++301-681-8620, e-mail: icgfm@erols.com. ■**

---

# Inside INTOSAI

---

## Journal's Finance Manager Retires



Mr. Jagdish Narang

Mr. Jagdish C. Narang retired from the U.S. General Accounting Office in October 1998 after 17 years of distinguished service. For the last eight years of his career, Mr. Narang worked in GAO's Office of International Liaison where he worked closely with the *International Journal of Government Auditing* and other INTOSAI programs. Among his many accomplishments was the development of the *Journal's* comprehensive financial management system, which he designed, implemented and managed. The system contributed to the *Journal's* sound financial situation, and was used as a model internationally. In addition, Mr. Narang represented the *Journal* at international and regional conferences, most recently in Indonesia for the ASOSAI Congress in 1997. Since leaving GAO, he is serving as an advisor to the U.N. Foundation in Washington, D.C. Mr. Narang will be missed by *Journal* and INTOSAI staff who had the privilege of working with him and who join with colleagues worldwide in wishing him well in his retirement.

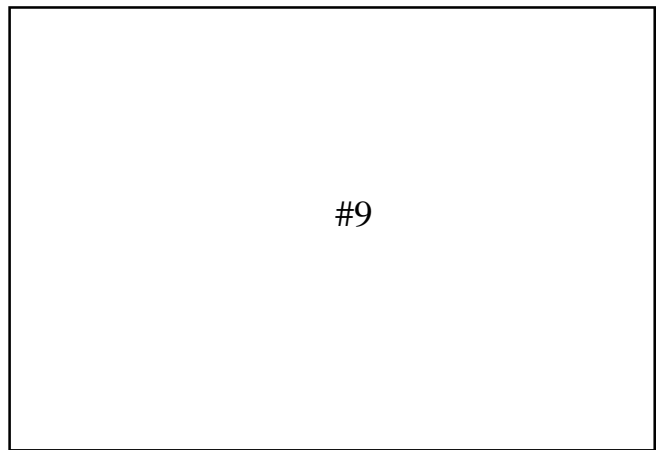
---

## OLACEFS Proceedings Published

The proceedings from the VII General Assembly of OLACEFS, hosted by the Comptroller General of Chile, has been published. It includes very comprehensive summaries of the discussions and results from the three technical themes, as well as speeches made by the President of Chile and by many OLACEFS' leaders. The technical discussions centered on topics of interest to all SAIs, including the role of the SAI in the process of the State modernization and various aspects of SAIs' reporting to the legislature and to the public. For more information, contact: Hernan Llanos Gonzalez, Office of the Comptroller General, Teatinos 56-58, 9 Piso, Santiago de Chile, Chile (Fax: 56-2-672-5565).

---

## SPASAI Auditors General Hold Strategic Planning Workshop



The South Pacific Association of Supreme Audit Institutions (SPASAI) held its strategic planning workshop as part of the SPASAI/IDI long-term regional training program in Fiji from September 21-25, 1998. Hosted by the auditor general of Fiji, the workshop brought together twenty-two participants (pictured above, left) from twelve SAIs in the region. During the many working sessions, participants and facilitators developed the long-term strategic plan for the region. For more information, contact: SPASAI General Secretariat, c/o The Audit Office, P.O. Box 3928, Wellington 1, New Zealand.

## SAI's E-Mail Addresses

In support of INTOSAI's communications strategy, each issue of the Journal will publish the e-mail/internet addresses of SAIs, INTOSAI programs, and related professional organizations. Also listed are homepage addresses on the worldwide web (www). SAIs are asked to notify the Journal as they acquire these addresses.

INTOSAI General Secretariat:  
<intosai@rechnungshof.gv.at>; and  
<<http://www.intosai.org>>

International Journal of Government Auditing:  
<chases@gao.gov>

INTOSAI Development Initiative: <IDI@oag-bvg.gc.ca>

INTOSAI Committee on EDP Audit:  
<cag@giasd101.vsnl.net.in> and  
<[www.open.gov.uk/nao/intosai\\_edp/home.htm](http://www.open.gov.uk/nao/intosai_edp/home.htm)>

INTOSAI Committee on Environmental Auditing:  
<<http://www.rekenkamer/ea>>

INTOSAI Committee on Privatization:  
<<http://www.open.gov.uk/nao/intosai/home.htm>>

ASOSAI: <asosai@ca.mbn.or.jp>

EUROSAI: <eurosai@tsai.es>

OLACEFS: <caso@condor.gob.pe>

SPASAI: <steveb@oag.govt.nz>

SAI of Argentina: <agn1@interserver.com.ar>

SAI of Australia: <agl@anao.gov.au> and  
<<http://www.anao.gov.au>>

SAI of Bahrain: <audit@mofne.gov.bh>

SAI of Bangladesh: <saibd@citechco.net>

SAI of Belgium: <Internat@ccrek.be>

SAI of Bolivia: <cgr@ceibo.entelnet.bo>

SAI of Brazil: <sergiofa@tcu.gov.br>; and  
<<http://www.tcu.gov.br>>

SAI of Canada: <desautld@oag-bvg.gc.ca> and  
<<http://www.oag-bvg.gc.ca>>

SAI of China: <cnao@public.east.cn.net>

SAI of Costa Rica: <xcisnado@casapres.go.cr>

SAI of Croatia: <colic@rivizija.hr>,  
<opcal@revizija.hr> and <<http://www.revizija.hr>>

SAI of Czech Republic: <michael.michovsky@nku.cz>

SAI of Denmark: <rigsrevisionen@rigsrevisionen.dk> and  
<<http://www.rigsrevisionen.dk>>

SAI of El Salvador: <cldr@es.com.sv>

SAI of Estonia: <riigikontroll@sao.ee> and  
<<http://www.sao.ee>>

SAI of European Union: <euraud@eca.eu.int> and  
<<http://www.eca.eu.int>>

SAI of Fiji: <audit@itc.gov.fj>

SAI of Finland: <kirjaamo@vtv.fi>

SAI of France: <dterroir@ccomptes.fr> and  
<[www.ccomptes.fr](http://www.ccomptes.fr)>

SAI of Georgia: <chamber@access.sanet.ge>

SAI of Germany: <BRH\_FFM@t-online.de> and  
<<http://www.Bundesrechnungshof.de>>

SAI of Hong Kong: <audaes2@aud.gen.gov.hk> and  
<<http://www.info.gov.hk/aud/>>

SAI of India: <cag@giasd101.vsnl.net.in>

SAI of Indonesia: <bepekari@centrin.net.id>

SAI of Ireland: <webmaster@audgen.irlgov.ie> and  
<<http://www.irlgov.ie/audgen>>

SAI of Japan: <asosai@ca.mbn.or.jp> and  
<<http://www.jaudit.admix.go.jp>>

SAI of Jordan: <audit-b@amra.nic.gov.jo>

SAI of Korea: <gsw290@blue.nowcom.co.kr> and  
<<http://www.bai.go.kr>>

SAI of Kuwait: <aha@audit.kuwait.net>

SAI of Latvia: <<http://www.lrvk.gov.lv>>

SAI of Lebanon: <President@coa.gov.lb>

SAI of Luxembourg: <chaco@pt.lu>

SAI of Macedonia: <usdt@nic.mpt.com.mk>

SAI of Malaysia: <jbaudit@audit.gov.my>

SAI of Malta: <nao.malta@magnet.mt>

SAI of Marshall Islands: <tonyowe@ntamar.com>

SAI of Mauritius: <auditdep@bow.intnet.mu>

SAI of Mexico: <cmhsecrpart@compuserve.com.mx>

**SAI of Micronesia: <FSMOPA@mail.fm>**

SAI of Nepal: <oagnp@oagnp.mos.com.np>

SAI of the Netherlands: <BJZ@Rekenkamer.nl> and  
<<http://www.rekenkamer.nl>>

SAI of New Zealand: <oag@oag.govt.nz> and <<http://www.netlink.co.nz/%7e.oag/home.htm>>

SAI of Nicaragua: <continf@lbw.com.ni>

SAI of Norway: <riksrevisjonen@riksrevisjonen.no>

SAI of Oman: <sages@gto.net.om>

SAI of Pakistan: <saipak@comsats.gov.pk>

SAI of Palau: <palau.public.auditor@palaunet.com>

**SAI of Panama: <omarl@contraloria.gob.pa>**

SAI of Papua New Guinea: <amrita@online.net.pg>

SAI of Paraguay: <director@astcgr.una.py>

SAI of Peru: <dc00@condor.gob.pe> and  
<<http://www.rcp.net.pe/CONTRALORIA>>

SAI of Philippines: <catli@pacific.net.ph>

SAI of Poland: <<http://www.nik.gov.pl>>

SAI of Portugal: <dg.tcontas@mail.telepac.pt>

SAI of Puerto Rico: <ocpr@coqui.net>

SAI of Qatar: <qsab@qatar.net.qa>

SAI of Russia: <sjul@gov.ru>

SAI of Singapore: <ago\_email@ago.gov.sg>

**SAI of Seychelles: <seyaudit@seychelles.net>**

SAI of Slovakia: <julius@controll.gov.sk> and  
<<http://www.sigov.si/racs>>

SAI of Slovenia: <anton.antoncic@racsod.sigov.mail.si>

SAI of South Africa: <debbie@agsa.co.za> and  
<<http://www.agsa.co.za>>

SAI of Spain: <TRIBUNALCTA@bitmailer.net>

SAI of Suriname: <<http://www.parbo.com>>

SAI of Sweden: <int@rrv.se> and <<http://www.rrv.se>>

SAI of Switzerland: <sekretariat@efk.admin.ch>

SAI of Thailand: <oat@vayu.mof.go.th>

SAI of Turkey: <saybsk3@turnet.net.tr>

SAI of Ukraine: <rp@core.ac-rada.gov.ua>

SAI of United Arab Emirates: <saiuae@emirates.net.ae>

SAI of the United Kingdom:  
<international.nao@gtnet.gov.uk> and  
<<http://www.open.gov.uk/nao/home/htm>>

SAI of the United States of America: <oil@gao.gov> and  
<<http://www.gao.gov>>

SAI of Uruguay: <tribinc@adinet.com.uy>

SAI of Yemen: <COCA@Y.NET.YE>

SAI of Venezuela: <crojas@cgr.gov.ve> and <<http://www.cgr.gov.ve>>

**Canadian Comprehensive Auditing Foundation:**  
<<http://www.ccaf-fevi.com>>

Institute of Internal Auditors: <iia@theiia.org> and <<http://www.theiia.org>>

International Consortium on Governmental Financial  
Management: <<http://financenet.gov/icgfm.htm>>

International Federation of Accountants: <<http://www.ifac.org>>

# 1999/00 Calendar of INTOSAI Events

## April

---

## May

---

*Public Debt Committee Meeting*  
Ottawa, Canada  
May 13-14

*INTOSAI Governing Board Meeting*  
Vienna, Austria  
May 26-27

*IV EUROSAI Congress*  
Paris, France  
May 31-June 4

## June

---

*Environmental Audit Committee Meeting*  
The Hague, Netherlands  
June 17-18

## July

---

## August

---

## September

---

*AFROSAI Congress*  
Burkino, Faso  
(date to be determined)

## October

---

*OLACEFS General Assembly*  
Asuncion, Paraguay  
October 4-8

*Commonwealth Auditors General Conference*  
Sun City, South Africa  
October 10-13

## November

---

*UN/INTOSAI Seminar*  
Vienna, Austria  
(date to be determined)

## December

---

## 2000

## January

---

## February

---

## March

---

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

April 1999